FBIS DAILY REPORT

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MIDDLE EAST RELATIONS GET 'HIGHEST PRIORITY'

PY211450 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 21 Feb 86

[Text] Itamaraty has reported that Foreign Minister Roberto Costa de Abreu Sodre will visit the Middle East this year to strengthen Brazilian relations with the countries of that region. Itamaraty explained that the trip will mark a new stage in Brazilian relations with that region, thus giving it highest priority in Brazilian foreign policy. Brazil defends the creation of a Palestinian state and advocates the withdrawal of foreign troops from the occupied Arab territories. Itamaraty spokesman Rui Nogueira also said that the Brazilian Foreign Ministry is not aware of a message from U.S. President Ronald Reagan asking Brazil to take a moderate stand during the upcoming Cartagena Group meeting. The meeting will be held on 26 February in Uruguay, and Brazil will be represented by Foreign Minister Abreu Sodre.

JOINT STAFF CHIEF REAFFIRMS CONTADORA POLICY

PY240210 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Feb 86 p 7

[By Helio Contreiras]

[Excerpts] Admiral Jose Maria do Amaral Oliveira, chief of the Armed Forces Joint Staff (EMFA), has dismissed the possibility of Brazil militarily supporting any interventionist policy in Central America, and affirmed that Brazil defends a negotiated solution to the problems in that Latin American region. The admiral, who tomorrow will meet with U.S. Under Secretary of Defense for Policy Fred Ikle, recalled the historic affinities between the United States and Brazil, and said that discussion of Brazil's participation in a Central American peacekeeping force is not on the agenda. Admiral Amaral Oliveira said that "the government, through Itamaraty, has already clearly expressed the Brazilian position regarding the problems in Central America, and there is nothing further to discuss. The Brazilian position is to support the Contadora Group action and the self-determination of the countries in the region. So, I do not see any reason for thinking about a peacekeeping force for Central America."

LA PAZ REQUESTS RESTRICTIONS ON ILLEGAL ENTRY

PY211815 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 21 Feb 86

[Text] The Bolivian Foreign Ministry has requested the Brazilian Government to take restrictive measures to prevent the illegal entry of Brazilians into Pando Department. According to reports, Brazilians are illegally prospecting for gold, rubber, and chestnuts. The La Paz government also protested the restrictions imposed by the Brazilian Consulate in Pando on the entry of Bolivian citizens into Rio Branco, capital of Acre State.

FORMER COMMUNIST LAWMAKER TORO INDICTED

PY200232 Santiago Radio Chilena in Spanish 2200 GMT 19 Feb 86

[Excerpt] After being questioned by Judge Marcos Libedinsky, former communist lawmaker Alejandro Toro was indicted on charges leveled by the government. The Interior Ministry has charged Toro and two other political leaders with violating the internal security law. The two other political leaders are Democratic Intransigence Movement President Manuel Sanhueza, who is the president of the Group of Constitutional Studies, and Christian Democratic Party Youth President Andres Palma. Sanhueza was released after being questioned by Judge Marco Aurelio Perales. Palma was ordered arrested after being questioned by Judge Sergio Mery. He is being held, although not incommunicado, at the Capuchinos Prison.

Alejandro Toro, who arrived at the court building at 0930 today, talked to reporters about the charges leveled against him.

[Begin Toro recording] These charges fit into what the regime has been doing; that is, persecuting people because of their ideas and curtailing freedom of expression. I am very calm and in no way surprised. The people against whom the charges were leveled have only conveyed the feelings of more than 10 million Chileans. If the situation continues like this, this court building will be too small, because the government will have to level charges against more than 10 million Chileans who demand freedom and democracy now. [end recording]

3 SHUTTLE BUSES BURNED IN SANTIAGO TERMINAL

PY222007 Madrid EFE in Spanish 1827 GMT 22 Feb 86

[Text] Santiago, 22 Feb (EFE) -- Three shuttle buses were set on fire last night in Santiago during an assault carried out by about 20 youths. Some of perpetrators wore ski masks and carried weapons. The assault occurred in the shuttle bus terminal which has a stand for drivers and a service station. According to police the attackers used Molotov cocktails to set the three shuttle buses on fire. They also fired at another bus arriving at the terminal and exploded a low power bomb at the hut causing minor damage. The youths also stole 100,000 pesos ($500) from the service station.

FAC FIGHTER INTERCEPTS U.S. PLANE NEAR PANAMA

PA210438 Madrid EFE in Spanish 0412 GMT 21 Feb 86

[Text] Bogota, 20 Feb (EFE) -- A Colombian Armed Forces (FAC) fighter plane intercepted today a U.S. Navy plane in Colombian airspace near the border with Panama.

A spokesman for the Administrative Department of Civil Aeronautics reported that the presence of an unidentified plane was detected over Colombian territorial waters on the Choco coast, an area that borders with Panama.

The same source added that the FAC fighter plane was dispatched immediately to investigate the presence of the plane and reported that the intruder plane belonged to the U.S. Navy and that it was on an undisclosed search mission. Once the situation was clarified, the "Navy" plane continued its flight plan and the Colombian plane returned to its base.

Information regarding the exact location of the incident and the characteristics of the planes involved were not disclosed. [Paris AFP in Spanish at 0416 GMT on 21 Feb 86 in a similar report adds that the U.S. plane intercepted was an Electra.]

BAKER DEBT PLAN VIEWED AS 'GAINING MOMENTUM'

PA212235 Bogota EL SIGLO in Spanish 16 Feb 86 p 4

[Article by Antonio Copello Faccini]

[Excerpts] In the Seoul conference, the U.S. secretary of the Treasury introduced a document that from its very origin was baptized as the Baker plan. The skeptics and the pessimists were immediately heard to comment that the plan was "totally inadequate and insufficient" when compared to the magnitude of the problem. Today, almost 6 months after Mr Baker's speech, when new events have drawn people's attention to the problem of the foreign debt, no one has doubts about the timeliness of the Baker plan or the reciprocal advantages that both the industrialized and the debtor countries will derive from the satisfactory implementation of the plan.

Since the Baker plan is an unprecedented initiative in the international financial field and in the area of foreign aid, the very first thing to do is to clear the path for it and to figure out a way to make it a reality.

Private banks are considering geographically distributed "consultation groups" as the best mechanism to agree on participation of various institutions in the implementation of the Baker plan and the countries to be favored by it. "Consultation groups" were successfully tried out 30 years ago when they contributed to the coordination of multilateral efforts to promote the development of India and Pakistan, and again in Colombia in 1962. Once again, they appear to be the best tool to prevent such a praiseworthy initiative as the Baker plan from being drowned in the sea of international bureaucracy. Thus, overcoming the initial difficulties, the most serious one being the skepticism of those who were going to benefit most directly from it, the Baker plan is gaining momentum. The Colombian minister of finance sincerely acknowledged this fact on 7 February, during a conference held in New York, when he said: "The Baker plan, in most of its points, is a valuable political contribution for advancement in the right direction, although it is obvious that we still need to look more carefully into the magnitude of the resources and terms of financing that it requires."

BOMBS SCATTERED AT EMBASSIES, APRA OFFICES

PY221812 Lima LA REPUBLICA in Spanish 22 Feb 86 pp 2, 3, 4

[Text] In open defiance of the state of emergency decreed by the government, terrorist groups last night attacked seven embassies, three offices of the American Popular Revolutionary Alliance [APRA], and the office of the National Planning Institute. This new subversive escalation occurred the night before the traditional celebration of APRA Fraternity Day, which is also the anniversary of [Party founder] Victor Haya de la Torre's birth. No one was injured, but official estimates say that the damage totals millions of intis.

The attacks started shortly after 2200 last night, 3 hours before the beginning of the curfew imposed by the Armed Forces. A huge police mobilization followed the attacks, and the streets of Lima were the scene of violent shoot-outs. However, most members of the subversive groups succeeded in escaping, except for a San Marcos University student who was arrested after attacking the APRA office in Magdalena District. Meanwhile in Ayacucho, subversives dynamited an as yet undetermined point on the high-tension power line which provides that departmental capital and the town of Huanta with electric power.

As 2205 here in Lima, four individuals in a white Toyota without license plates threw a dynamite stick against the main building of the U.S. Embassy, located in Garcilaso de la Vega Street. The subversives' car drove past the embassy at high speed. The bomb fell on the sidewalk beside the security pillars in front of the embassy. There was not much damage, but the attack led to the immediate reaction of the Civil Guard, Investigative Police [PIP], and Republican Guard personnel guarding the embassy and the nearby Civic Center, Sheraton Hotel, and PIP Homicide Division.

An intense shoot-out was followed by the frantic pursuit of the subversives. The subversives, however, had time to throw other bombs at the Argentine and Spanish Embassies, and then they fled speedily toward Arequipa Avenue. At the Spanish Embassy, located in the front block of Republica de Chile Street, a dynamite charge destroyed the carved wooden door. Only a few seconds later, another explosion occurred in one of the gardens beside the Argentine Embassy, located in front of the first block of Araquipa Avenue. The dynamite explosion only destroyed a few ornamental bushes and windows. The subversives disappeared before the arrival of numerous police units.

At the same time, another subversive group attacked the FRG Embassy in the 42d block of Arequipa Avenue. The attackers surprised the policemen on guard at the main gate and three dynamite sticks against the side of the building and the door facing Teruel Street. The explosion completely destroyed one leaf of the wooden and glass door. The shock wave of the dynamite explosion hit nearby houses, causing panic among the residents.

Another attack was aimed at the PRC Embassy, located in [words indistinct], Miraflores. The same car used in the attacks on the other embassies was used. The subversives also exploded a dynamite charge at the PRC XINHUA News Agency offices, located in the rear of the same building. The Indian Embassy, located on San Ignacio de Loyola Street, and that of Great Britain, located between Natalio Sanchez Street and Arequipa Avenue, also were attacked by the subversives. In both cases, there was only small damage.

At the APRA office in the 11th bloc of Independencia Avenue, Magdalena District, there was almost a great tragedy. At 2215 last night, about 50 APRA members were gathered in the party office, celebrating Fraternity Day. A lean young man then came running and placed a dynamite charge at a side door of the house. The violent explosion destroyed the door and there was panic, but two policemen patrolling near the party office arrived at the scene. The terrorist desperately tried to run away, but the policemen ordered him to stop and then shot him when he would not, wounding him in the right leg. After he was arrested and handed over to the PIP Antiterrorism Directorate, the subversive was identified as Jose Antonio Camacho, 20, a student at San Marcos University.

Another APRA office was attacked with dynamite on Titipacani Street in the [name indistinct] urbanization project. Unknown individuals placed a bomb at the door of the office, which was empty at the time. The explosion destroyed the door and the windows. The attack causing the most damage was against the main office of the National Planning Institute at the corner of Giron (Acobamba) and Guzman Blanco Avenues, near the U.S. Embassy. A powerful dynamite charge placed at the door of the nine-story building blew a great hole in the roof of the dellar. The explosion destroyed the big wooden door, and some glass and aluminum windows. Several nearby houses were also damaged by the explosion.

Shining Path Blamed

PY230117 Madrid EFE in Spanish 0051 GMT 23 Feb 86

[Text] Lima, 22 Feb (EFE) -- Peruvian War Minister General Jorge Flores Torres said today that last night attacks against embassies and APRA [American Popular Revolutionary Alliance] offices in Lima were the work of the Maoist Shining Path organization, not of ultrarightist groups. The minister said that members of terrorist cells were arrested in dragnets conducted by the police and that these people are now being interrogated. General Flores Torres added that the state of emergency and the curfew in Lima and El Callao will remain in force for 60 days, and that list night's violent acts were carried out by the Shining Path for propaganda purposes. Although the attacks perpetrated last night were quite spectacular, the curfew hours will not be extended, said the war minister.

Security Tightened

PY230507 Buenos Aires TELAM in Spanish 0132 GMT 23 Feb 86

[Excerpt] Lima, 22 Feb (TELAM-ANSA) -- The Armed Forces today ordered their troops to exert further control over the inhabitants of the capital and the port of El Calao after the violent subversive attacks unleashed by the Shining Path in the last few hours. The troops partolled the most populous neighborhoods of Lima this afternoon in armored vehicles to prevent any attacks by the urban guerrillas.

War Minister General Jorge Flores said that President Alan Garcia's administration, which imposed the state of emergency and a curfew on Lima 2 weeks ago, is studying new security measures to stop the wave of subversion. It was not necessary for the Shining Path to claim responsibility for the attacks that occurred last night and this morning because great bonfires in the shape of the hammer and sickle burned on nearby hills "signing" their attacks.

Police and military deployments were carried out this afternoon in the Lima suburbs where it is suspected that the guerrilla commandos responsible for unleashing this wave of sabotage are hiding. A police source reported that a rebel commando set fire to an office of the APRA Party in the La Victoria District, and that an unspecified number of people were arrested in the last few hours.

Garcia Promises 'All-Out War'

PY230024 Madrid EFE in Spanish 2332 GMT 22 Feb 86

[Text] Lima, 22 Feb (EFE) -- President Alan Garcia today said that the attacks perpetrated by "those who cowardly and anonymously act in the dark will neither intimidate us nor make us retreat." Garcia spoke today in the city of Trujillo, 570 km north of Lima, to mark APRA Brotherhood Day. Garcia referred to the attacks launched last night against foreign embassies and APRA offices in Lima, Trujillo, and in other Peruvian cities.

Garcia said these attacks were perpetrated because the APRA is proving that it is possible to carry out a revolution in democracy. Garcia added that his government will not return "brutality for brutality, or blood for blood," despite the "insane violence" unleashed by the Maoist Shining Path terrorists. Garcia said: We will fight terrorism with the law. Yet, we will wage an all-out war.

Garcia said that "To attack the APRA is to attack the people and the fatherland itself, because to attack a government elected by the people is to attack the people." On APRA's Brotherhood Day, APRA members recall the birthday of the party's founder, Victor Raul Haya de la Torre, who died in August 1979. Garcia headed a pilgrimage to Haya de la Torre's tomb in Trujillo, which is also Haya's birthplace.

APRA secretary general Senator Armando Villanueva has lamented the fact that the attacks that took place last night were "magnified," because in his opinion, they represent "second-hand violence which has a gratuitous and propaganda-like incentive from some news media." Villanueva criticized the "uproar made by some news media to make propaganda for terrorism." He said that the situation is magnified when it is said "that some APRA offices were blown up, because some bombs exploded somewhere in the area." Villanueva today left for Geneva in his role as Peruvian representative to the UN Human Rights Commission, where he will present a report on the real human rights situation in Peru.

EXPLOSION REPORTED NEAR GARCIA'S PLATFORM

PA230218 Paris AFP in Spanish 0127 GMT 23 Feb 86

[Text] Trujillo, Peru, 22 Feb (AFP) -- A strong explosion was heard tonight 500 meters from the platform on which President Alan Garcia was addressing a crowd which had gathered at the parade square in Trujillo. The president, who was urging the people to realize that his government is waging a revolution in Peru, remained calm and asked his listeners: "I want to know if your consciences are disturbed by an explosion." The large crowd remained in its place and applauded Garcia. The nature of the explosion is yet to be ascertained.

GARCIA SPEECH ADDRESSES TERRORISM, ECONOMY

PY230442 Lima Domestic Service in Spanish 0040 GMT 23 Feb 86

[Address by President Alan Garcia to APRA supporters at the Trujillo Plaza de Armas, marking the 92d anniversary of APRA founder Victor Haya de la Torre's birthday -- live]

[Excerpts] I first want to express my satisfaction at this magnificent assembly that demonstrates the spirit, conscience, conviction, the participation of the Peruvian people in the building of this new democracy with bread and freedom [applause]. The APRA [American Popular Revolutionary Alliance] people of Trujillo, the historic capital of our movement, are here to affirm the value of their brotherhood. Many years after the first battle cry, the people of the APRA are here along with other citizens to reaffirm the value of the APRA brotherhood that was forged in a school of pain and difficulties, a brotherhood that was taught us by a long history in which difficulty, not ease, molded our solidarity and fraternity. This history has taught us that only united, fraternal, and cooperative people can take the magnificent steps toward the destiny and history that Haya de la Torre bequeathed as an imperative mandate for the construction of their revolutionary future. [applause]

This is, countrymen and companeros, an assembly that demonstrates the determination of the people to participate in their democracy. This is proof and testimony of the brotherhood of the companeros and revolutionaries of Peru. Tonight, under the evocation of Haya de la Torre, this is especially true. This is a demonstration of the courageous answer of the party of the people to those who yesterday, hidden by anonimity and the dark of night, placed their bombs to attack the party, the people, and the revolution. The people of Trujillo are gathered here tonight to reject terrorism and barbarism. [applause]

So I must begin, on this night of remembrance and reflection, on this night when it is worth remembering what the APRA movement has been and what the APRA government must do, by saying that party of the Peruvian people is here, the historical party of the multitudes is here, the revolutionary vanguard of the new fatherland is here, the open door of transformation and destiny is here. This movement, which has overcome time and adversity, which has laid the foundation of a lasting brotherhood of the people, will not be shaken by those who stand for homicide, death, and crime. This movement, which for long years has raised its single voice against imperialism, injustice, and exploitation, will not be silenced or intimidated by those who intend to assail the Peruvian people from the shadows. [applause]

[Words indistinct] who threw bombs against the party of the people are attacking the people and history. Those who attack the agents of order of the democratic state are against the people. We have to begin by drawing a line between those who stand for the ideal popular democracy we want to build and those who stand for death, imperialism, and reactionaryism; between those who are in favor of the future and those who are in favor of the past, reactionaryism, and the factors the APRA will eradicate. [applause]

Today, on visiting our party's office, I once again felt the inspiring force of Haya de la Torre from his tomb. As I inspected today the damage inflicted on our house and alma mater, I had before me the old APRA fighters, the old men of Trujillo who years ago rebelled, fought, sacrificed themselves, and shed their blood. I ask the Trujillians of 1932 to be the first soldiers in this struggle for the affirmation of justice and against imperialism, in the struggle of the state of the people to put an end to terrorism and subversion. [applause]

We must think every day about the significance of the APRA movement and APRA brotherhood, about the significance of this hour of trial for the APRA in the government. This is a trying time when we need to muster the best of our movement so that we can demonstrate to all Peruvians why we came to power. We did not come to power to satisfy ambitions and egotism, to satisfy economic appetites or seek historical revanche, but to affirm the revolution Haya de la Torre left us as a mandate. It is about this revolution that I want to talk today with all the APRA companeros, in front of all the people of Peru. I want to talk in a loud voice with our fellow APRA members, to evaluate the path the government has taken and see if it is the right path.

We want to have a resolution in Peru, a profound transformation. Many are asking: What is a revolution? My answer is that revolution is justice and well-being for the majority of the people. I say that revolution is freeing our fatherland from tutelage, from economic colonialism. Revolution is affirming the sovereign capacity of our people and our government so as to assure an autonomous destiny for the fatherland. I say that revolution is freeing ourselves from cultural alienation, from ignorance; shaping the popular conscience into an instrument of government, turning the popular conscience into government.

As Haya de la Torre has taught us, I say that revolution is equivalent to anti-imperialism, democracy, and social justice. From the government, we have initiated with firm steps the revolution of which Haya de la Torre spoke. I came to Trujillo to tell the APRA people, in front of all Peruvians, that I need the support and backing, but fundamentally the conviction, of the APRA people in order to continue leading the way to the revolution Peru requires. [applause] We want to affirm the economic sovereignty of our fatherland. We want the state to join society, thus to form the nation. The state has been marching out of step with society and the Peruvian people, down a path of formality, exploitation, and insensitivity to the problems of the majority. The state has never represented the nation's majority. We want to bring the state and society together, to have an integrated nation that is free, autonomous, and secure. This is the essence of our anti-imperialist nationalism; the interpretation of democracy as a state that is built for all the social sectors, not just for the upper social level. The state must even work for the mothers' clubs that I saw parading today, for the unemployed workers who must have jobs, for the sick who must have hospitals, for those who lack water -- the most democratic of elements -- and must be given water, for those who have no books, school, or security and must be given what they need to take the first step toward social democracy, taking the people away from absolute poverty. This is revolution as we understand it and the way Haya de la Torre taught us.

I now speak as president of Peru to explain to the APRA people the kind of revolution we want and the obstacles we have to overcome to attain it. We want a revolution for social justice, for democratic socialism, for the emancipation from economic colonialism. We will prove that we can attain this without sacrificing the human achievement of freedom and participatory democracy. Others may choose the road of totalitarianism, substituting the exploitation of man for the subordination of man to a powerful state, but we want another kind of revolution, and we will not turn our backs on that revolution, on democracy, on freedom. We will bring the mandate of Haya de la Torre to fruition by distributing wealth but preserving the value of freedom and popular participation so that our people will never again be enslaved by another fate. [applause]

Once we have set our objective, we Peruvians need to unite in a single front that can struggle against the imperialist danger. Our economy has been dominated and governed from the outside; our salaries have been stipulated fromthe outside; bank interest rates have been established from the outside; the value of our currency has been set from abroad. On 28 July 1985 we recovered the economic sovereignty of our country and began to set our own rules. Never again will the IMF and the banks tell us the road our people must follow. This is the first step of our revolution in Peru, affirming our economic independence. This is the first thing the people must bear in mind.

I want the people, especially youths, to share and transmit these ideas. Neither we nor Haya de la Torre ever wanted to trust the historical destiny to a caudillo or a providential leader, because caudillos and leaders can pass or die. The important thing is for people to be convinced about the road and the doctrine to follow. What will the 14 April triumph be worth if you do not share with the government these ideas and principles? What will the revolution we want to carry out be good for if you do nothing but applaud it, without putting your shoulders to it, without thinking about it, without having feeling for it? What would the historic causes be good for if an occasional leader should die and leave the people behind as a mass without conscience?

This is a cause solidly rooted in the hearts of the people who understand the effort of their government. This is why I came here to talk to you, seriously, humanly, and as a true member of the APRA, so that you can know where we want to take our country, to what destiny; what kind of revolution we want. Once you know this, you will pick up the banners when the front tanks fall. When the men pass away the people will know how to continue with their invincible determinationto make history and complete the revolutionary transformation. [applause]

Many things are said in newspapers and on television against us, but they do not have to remind us that our revolution will haveto preserve freedom, the right of expression of every Peruvian no matter what his beliefs, even if opposed to us. We will make a national revolution, because we have confidence in the Peruvian people. Had we not had confidence in the ability of the Peruvian people, we would use the state as an instrument of coercion, brooking no opposition. But I, like Haya de la Torre, have faith in the masses' capacity to learn, in the intuition of the multitudes. I am sure that whatever opposition we encounter in the future, the conscience of the people that has already been sensitized will govern the course and destiny of the party's government. [applause]

Let this be quite clear, fellow party members: A profound leftist revolution, an anti-imperialist revolution to demand justice, is not at odds with freedom, with democracy. We are the standard bearers of justice and equality, of democracy and freedom. We are now making an effort to reconcile these possibilities. Some have chosen the path of freedom only: This leads to speculation and injustice. Others have chosen the path of violating liberties to enforce justice but have ended up creating another instrument of domination.

This is why I am talking to the people: We must initiate a different way, one that will be truly democratic. Haya de la Torre had defined this path by saying: We do not want bread without freedom or freedom without bread. The APRA revolution will be one with bread and freedom for all Peruvians of good will. [applause]

From the beginning of this historic process, we as realistic Peruvians became aware of the meaning of this process. In the midst of those limitations and despite them, we must continue seeking the revolutionary goals of our government. We must not lose sight of the objectives of change, and we must overcome the everyday obstacles. This is our objective. This is why I would like to address all of you to ask for political realism in our revolutionary objectives so we do not confuse the APRA revolution with a phrase and minimize our principles in the face of difficulties.

A revolution is a very profound and significant event that should not be lost in exaggerations or hastiness, an event that requires prudence and firm steps toward the future. A well-known international journalist said in reference to a Latin American president and martyr that we cannot Allendesize the revolutionary process in our country. We cannot be hasty and swept away by exaggeration. We are not going to fall into historic imprudence. We are going to move with firm steps, sometime slowly. However, the important thing is to take firm steps toward change, justice, and the future. [applause]

I want to share with you what an international analyst said. We cannot allow the APRA process to become an Allende-style process, because we have to learn the lessons of history: He who does not study the past will repeat its errors in the future. We have to act with prudence and political realism by opening the space for a new society, but we must do so safely so that the effort does not become the sacrifice of only a few days or months but a secure and wide path for the future of our people.

This is why in every struggle in which our government is engaged we reaffirm our desire for change but with prudent realism, moving step by step without falling into rousing speeches, because damagogues who attract and coax the people can prosper on rousing speeches. History is made only by statesmen who are committed to basic principles for change, and this is why I wanted to talk to you tonight.

We began a revolution that extends beyond our borders. We are the first and only country to raise its voice and say no more to the financial conditioning of the foreign debt, no more to high interest loans that govern our country by imposing conditions of impoverishment, no more to loans imposing conditions against national sovereignty. We were practically the financial caboose of the train of large banks and their agent, the IMF. On 28 July, to the amazement of delegations and governments, we said that from now on Peru will govern its economic destiny, that it will no longer hand over all its earnings, that it will give only what Peru decides to give. From that moment the people took charge, and the sovereign government is the one that decides the destiny of the people.

We set up a principle that we will not service the foreign debt with more than 10 percent of our export revenue. In other words, I am paid so much for my work, and I am willing to pay so much toward the debt. This means that for the first time a people, a government stood up on the world financial scene, telling the powerful world financial oligarchy that a people have recovered their will and destiny.

Our position was received with amazement. We were told that we were going to be left alone, but the dawn of a new awareness in Latin America is already here. From this fraternal city of Trujillo I wish to welcome the Argentine Government's decision to limit the payment of its foreign debt to 25 percent of its export revenues. [applause] I also welcome the decision by the distant Government of Nigeria, in Africa, which has also earmarked a percentage of its export revenues to its foreign debt payments.

The time for remaining silent in the face of impositions is coming to an end. This is a time for all people to stand up and break their financial chains, to seek historic freedom and follow the path outlined by Haya de la Torre and the APRA. [applause]

Our decision, which was first regarded as bizarre and which is now being followed by some governments, has thus acquired a historic significance and has transcended our borders. Our first mandate was to break our financial colonialist bondage. Yet, like any struggle and liberation effort, this one entails consequences, dangers, and risks. We have just been told that we will no longer obtain fresh international loans. We have also been told that a bank could perhaps impound our products and exports. We have been told that we could be left alone in the world, against the world. I want to tell the people of Trujillo and Peru at large that these are the costs and risks involved in our decision.

It would be worse, however, to do nothing. It would be worse to stand idly by. Had we not made this decision last year, we would have had to use our entire export revenues, nearly $3 billion. We would have paid this full amount to our creditor banks. To do this, we would have had to increase prices by more than 300 percent. To do this we would have had to limit the wages and salaries of all Peruvians. To do this, we would have had to make our people much poorer.

We have chosen the path of formulating a new economic policy. Yet everything, this policy included, entails risks and limitations. As citizens and soldiers of today's Peru, it is my duty to tell you the risks and limitations stemming from our actions. Neither I nor your party make up an irresponsible leadership that would callously send our soldiers to their death. We act with political realism.

We have already stated our position. We have already shown the world how we can liberate ourselves from paying the debt. Everyone must, however, be aware that this decision entails hardships and problems. I want every one of you to be aware of this: After making a revolutionary decision against financial imperialism, no one should be discouraged if this decision creates other problems. Let us not be dismayed; on the contrary, let us all move on. This is part of the path we have chosen; this is the cost of freedom; this is the cost of economic independence. [applause]

As an anti-imperialist government, we have initiated our struggle on the foreign front with the debt issue. This, fellow countrymen and party members, is a fundamental issue. It is a key issue for the future of the Americas and our people.

Peru alone owes $14 billion; the whole of Latin America owes nearly $400 billion; the entire poor world owes $800 billion. Therefore, we didn't raise a new flag as an experimental country; we are proud of opening a new historical phase by answering the powerful as equals, by putting an end to slavery, and by opening the doors to a new future. However, we must be careful and aware of the risks this implies. This is the political reality of which I want you to be aware.

You must take the following message to the stores, the party headquarters, to the streets: Every political process has a price. Every political process demands sacrifice. Every revolution makes us endure temporary hardships. However, the important thing is to let history judge this. What would happen if we had not done this? This is the important thing. What would have happened if the APRA party had not come to power? What would have happened if we had not been here now commemorating our brotherhood day with pride, courage, vigor, and enthusiasm? [applause, cheers]

This is why I am now addressing the Trujillo people -- not through a speech, for enthusiastic phrases and speeches have already been made many times -- I am addressing you as the president, as the leader, so that you, in turn, become presidents and leaders yourselves, wherever you are. Political realism means that the process is progressing with all its complexity, overcoming obstacles, sometimes surrendering, but assuring the future and constructing a new state.

In the foreign area, we have also started defining in a different manner our relation to foreign capital. A moment ago I read in the APRA policy book the old speeches of Victor Raul [Haya de la Torre] and his clear anti-imperialistic definition: We must free our country from any sort of colonialism but within a political reality permitting us to understand and assure that world capital and technology are necessary for our country. We need technology and capital. It is not just a matter of opening the doors and allowing them to come without any conditions. The important thing, Victor Haya said, is to know how to treat it, how to invite the capitalist world, technology, and culture to comply with Peruvian laws in order to help develop Peru. Then let us welcome those who come to work in Peru, if they come to comply with the laws and compete with us under equal conditions to assure the increase of our productive wealth.

We will not allow our national history to be tarnished by spurious conditions, making Peru lose its wealth. This is our fundamental and realistic principle. Others prefer speeches, phrases, so they may be applauded for a moment when saying no to the foreign capital, saying: Out with all the foreign companies. This is too easy to say or print. The important thing is to be a statesman with revolutionary, realistic, and pragmatic sense and to be able to obtain new conditions for that capital; to be able to make it clear that such capital is not coming to our country to conquer or to impose on us conditions or colonalism, but that it is coming to a land of free men and a sovereign government to deal on an equal basis. [applause]

This is why in the petroleum industry we have taken a far-reaching step. We found a dramatic picture in this field. We found that for each barrel of oil, the foreign company was earning $5 clean, net dollars. We found that the foreign company was only paying 41 percent to income taxes. We found that a series of supreme decrees issued by the former government had legally facilitated the non-payment of taxes by the foreign company. The foreign company was not a tax evader, but because of several government decrees it was allowed not to pay taxes.

This is why we set new conditions. We first said: Let us annul that law, which some journalists call the Kuczynski law. Let us put an end to it so that the taxes will not yield 41 but 68 percent in revenues so that Peru will benefit further from its own wealth. Let us put an end to the decrees by which the company was not paying taxes, and let us make it pay all the taxes it did not pay for 4 years. [applause]

Let us also say more: Besides paying more taxes and returning what it did not pay thanks to the former government's decrees and laws, we will tell it that the missed payments must be invested in Peru. If they benefitted in the past, it is now Peru's turn. We need foreign capital. We need to force capital to come to our country. In this case [the oil company] we were in a position to do so and we did. In the next few years, when we will be able to see the conclusions and results, we will force the companies that did not invest in the past to invest in Peru what they did not pay as taxes. This was the principle behind our negotiation and our deal. You are welcome Mr (Hammer), but welcome to deal on a equal basis with a new sovereign state that does not kneel down.

Another company did not accept our conditions. It wanted to maintain the validity of the former situations, decrees and laws. We told it that we favor the coming of foreign capital, but not to come to violate the laws of our new society. As of 26 December, the Peruvian state, the state company Petroperu and the new company Petromar del Peru took over what in the past was the Belco Petroleum deposit. Those who do not accept the laws and decisions of the Peruvian Government and who do not know how to deal with a government that invites, but sets conditions, must leave. Those who may come are those who are willing to accept a sovereign state. Those who live from the past must leave. [applause]

They say that I must end this speech now. They are also saying that there is a bomb under this platform. Well, even if there is a bomb, I will remain here speaking to the Peruvian history and people. [applause]

Other objections can be made through lawyers and accountants to the government's nationalistic policy. However, here you have the open and clear result: before they earned $5 per barrel, now they will earn less than $1 per barrel. Before they failed to pay $1.3 billion, but now they will have to pay. Before they failed to invest in the search for more oil to allow Peru to have its reserves, now they will have to invest up to $300 million to look for that oil. This is very important, and I need the support and the realistic confidence of the people for the development of a democratic, nationalistic, and revolutionary state. [applause] We were told that new proposals were made to us on the foriegn capital treatment. You know that I am speaking to reason, and not emotions.

You know that in Peru there is a great enterprise called Gloria Milk. More than 30 years ago, when milk was produced in Arequipa, there were no refrigerators to bring that milk to Lima or other places. Then a company came, a company then called Carnation. This company installed a plant to can evaporated milk, so that milk could be carried to other places. At that time, the can was considered a blessing, because it allowed the milk to be taken everywhere. But 50 years have passed, and now Arequipa is producing more milk, and 250 million cans are now produced by Gloria Milk. However this can is no longer a blessing, but a damnation. Why? Because one-third of the price of each can of milk is for the can. When a housewife buys a can of milk for 4,800 or 5,000 soles, more than 1,500 coles are paid for the can which then becomes garbage.

We want the Peruvians to buy milk and not cans. We no longer want to buy tin from abroad, because that tinplate is brought from abroad because Peru does not produce it. Then we proposed a nationalistic position. There are those who say that the Gloria Milk must be expropriated, that it must be nationalized. I say what for? To own a useless canning factory? That is not a realistic solution. It would impoverish Peru even more, because Peru will have to continue producing cans. I have said that we are going to put a stop to this and other cases. We have told the new owners of Gloria Milk and the owners of International Nestle, in Switzerland: Messrs president and manager general of Nestle: the president of Peru is calling you to come here and talk man to man.

We want you who have the tin can factories to change, to put in another factory, perhaps of powdered milk, or perhaps of long-life milk. This could help the Arequipa milk reach other places without paying for the can. You who are owners have the obligation of changing your technology. If you do not change this technology, you will have problems. We need to firm up our contract with that enterprise. But we need to establish this contract under these conditions:

The extremists, those who do not know the technical figures, those who are not realistic, they tell me to expropriate the company, to issue a decree so the state will own the tin can factory. But what do we want this factory for? What we want is to get rid of the cans, and that the cost of the new factory be paid by the transnational company that brought the cans to Peru. [applause]

My fellow citizens, this is an example of political reality, because for me it would be very easy to deceive the people, to tell them that I am making a revolution, and now the state is the owner of the can factory. Then some, or perhaps many, will applaud the measure. However, a few days later the cans will continue to arrive and you would ask, what kind of revolution is this, continuing with the same thing done by the foreign companies. We tell them: if you want to remain in Peru, you must produce what Peru needs to change its economic situation. We are not against you being here. What we will not permit is remaining slaves of the cans.

I will give you some statistics. Arequipa Gloria Milk produces 250 million cans, and the cost of all these cans in stores is $1.5 trillion. But from that $1.5 trillion, $5 billion goes to the garbage cans, because they are the price of the cans. This is what we want to change. We want to produce what is called powdered milk so that we won't have to buy it from abroad, to have cheaper transport, and perhaps reach all Peruvians without paying for the can.

Let us now discuss the domestic front, and how we found the country. There has been little production because foreign products entered Peru and smothered the industries. And since there was little production, the prices went higher and higher.

We found a country paralyzed, and a high inflation rate. I wish to say that my closest aide has been our great fellow party member Lucho Alva, who was born here in Turjillo. I truly appreciate Lucho's great loyalty. I have attended well-deserved cocktail parties and dinners given to our party leaders on their birthdays. A few nights ago as I was working in my office I looked at my desk calendar and realized that a fellow APRA member was working with me on his birthday: it was Luis Alva. I want to congratulate him tonight. [applause]

On the domestic front, we found an inflation rate that during the first half of 1985 amounted to 165 percent. During the second half of 1985, we brought it down to 30 percent. We found that the Peruvian currency was losing ground to the U.S. dollar. During the first half of 1985, the Peruvian currency was devaluated by 160 percent. During the second half of 1985, we brought it down to 12 percent. We found that the Peruvian treasury had only $800 million available. Today, we have $1.5 billion as a life insurance for our people. These are the tangible results of our economic policy. [applause]

We found that factories were not producing, that there was a flight of capital, that no one was interested in promoting production in Peru. Historically we APRA members have been known for our realism and democracy. APRA is a single front that includes both intellectuals and manual labor. APRA encompasses peasants, workers, the middle class -- the professionals, and the small and medium-sized businessmen and producers. In this effort, the APRA will unite all social forces in the struggle against imperialism. At this time we need our agricultural and industrial sectors to prosper and grow to help the government defend itself against the power of foreign banks and countries. Thus, we are promoting a policy designed to stimulate growth. We have told all Peruvian industrialists and producers that we would help them instead of stimulating the import of foreign products.

When I was inaugurated, there were 1 million Peruvian workers who were earning a minimum salary of 360,000 soles. Today, these workers are earning 700,000 soles, that is, their minimum salary has increased by 100 percent. Although inflation has stood at 35 percent, the workers' purchasing power should be increased so that they can buy clothes, shoes, and food for their children.

We are now facing a third problem. Let me explain. We face the banks and we talk about independence. We are going to increase internal production by creating jobs. We tell industrialists to produce, that we are going to help them. But suddenly a third problem arises: The problem of terrorism, criminality, uncertainty. The kidnappings of important businessmen are apparently designed to create fear among middle-class business sectors to prevent them from working in Peru. The kidnappings are aimed at making many people say that there is no security here, that they have to leave their factories. Sometimes I believe that the kidnappings are carefully planned.

We fight imperialism because we support domestic production. However, if those who are responsible for production are frightened, attacked, and bombed during the nights, they are then being kept from reactivating production. This is the problem. This is why I have come to tell you: we must demonstrate collective courage, fellow citizens, not only the APRA members, but all of us. We must demonstrate our courage collectively in order not to be scared by the explosions at night and to understand that those explosions are really homage to our brotherhood and our anniversary. [applause]

I tell you, Peruvians, we will not be intimidated by some actions carried out by professional terrorists. Some dynamite sticks or bombs can be planted by a small group. For example, yesterday, a car from which dynamite sticks were hurled drove through the streets of Lima. It was reported today in the newspapers as if some rival army laid siege on Lima. Aren't we doing what those who planted the bombs wanted us to do? This small group, which planted a few bombs last night, knows that the government will use the full force of the law and the Armed Forces to defend democracy. This small group which plants some bombs here and there cannot be presented as a belligerent army.

I am addressing you as a president should, so that we may not make propaganda for a small, desperate group that was defeated last 14 April by the people. [applause] On 14 April, the people defeated the bad rulers, conservative and reactionary sectors as well as those desperate advocates of terror and death. The people decided this not only by voting for the APRA, which received 53 percent of the votes, but also by voting for our good friend and contender Alfonso Barrantes: these were also votes against terrorism and in favor of democracy, and transformation through a new state. I could also say that many of those who voted for other candidates voted for democracy, transformation, historical rectification, but mainly for democracy.

Therefore, Peruvians have massively voiced their belief that a revolution can be carried out with democracy. Peru can be transformed by the popular masses. Peru can be transformed by following the anti-imperialistic path and by teaching the people. A popular revolution can be carried out. Not an elite revolution, not a revolution of a small bomb-throwing group, or a revolution by a new terrorist-controlled sector.

The people said they wanted a new, broad, participatory, fair, and anti-imperialistic democracy. They massively voted for this type of democracy. This is why we must defend ourselves with all the powers of the state from those who have taken the road of terror, because they are terrorized by the APRA and democracy as well as by the people's freedom and by a revolution undertaken in the name of freedom. [applause]

Therefore, I ask and demand that all Peruvians adopt an active and firm position. One is either with the democracy of the people and the nationalistic government for the liberation of Peru, or one is just an instrument of obscure and reactionary forces of terror and death. We cannot respect those who kill others on behalf of their dogmatic totalitarianism. We do not consent with our silence to the action of those who murder and execute workers, because a Civil Guard and a Republican Guard are just poor workers who are earning their living. [applause]

I have seen the expressions of grief and pain at the burials of Civil and Republican Guards. What blame does a poor man who shakes off the yoke of unemployment by working in this manner, risking his life for a miserable salary, lower than the salary many bureaucrats have? How can he deserve such a violent death? What historical responsibility does he have to be murdered so coldbloodedly? What responsibility do our colleagues have to be killed, attacked, or assaulted in many party offices? What is the responsibility of the Peruvian soldier, a man of the peasant community who wears the uniform we should all wear. Why should they be looked at as if they were enemies?

I want to say this on behalf of the anti-imperialist and national state that he who attacks the democratic state today, he who attacks democracy, he who attacks the people's party, attacks the people, and only deserves the repudiation, condemnation, and punishment of the people. [applause]

For this reason we have taken the step of declaring the state of emergency for the city of Lima. Many ask why. Isn't it the truth? That the bombs are planted in the early hours by a small group that seeks such a state of emergency and curfew? I say that all Peruvians should know that we are anti-imperialists, that we fight for justice within the democratic socialism but that we also fight for order and discipline so that democracy be respected and the nation and the people can be defended. We are going to stand up in defense of the people. [applause]

Today I said at the party office: what can a bomb do against a historical monument and a spiritual cause? A bomb cannot do anything. Many people wanted to do things to us, but did not achieve anything. Now the APRA members, the militants, young and old, must be soldiers against this reactionary cause which is terrorism. I am the first soldier to fight against terrorism. I am the first fighter against subversion. I do not approve the killings. I am for the people, and because I am for the people, I am and will be here to put an end to subversion. [applause]

I want to tell you that if there must be a victim for Peru to regain its historical confidence, I can be that victim. Here I am so that future generations will be able to walk on me toward the path of justice. We need such examples every day, examples of risk and opening. I do not go around wearing bulletproof vests. I do not have bodyguards. I walk among the people because I have confidence. Because I have faith in the people, I know that if something happens to me the people will punish and avenge the action. [applause]

I want to ask all of you to join me in this struggle. No revolution has ever tolerated disorder and violence. To those who could use this example, let me say that the Soviet revolution drastically punished those who refused to accept Lenin's rank and revolutionary authority. It had to drastically eradicate extremist groups and outbreaks of will do the same here to institute order, not an order based on arbitrariness or injustice as we had in the past, or one that would be tied to foreign interests as in the past: We will impose an order dictated by the people; one that will be based on justice and will benefit our future, and our children, so that we can build a new society for all Peruvians. [applause]

We the APRA members, the people of Peru, are here to honor Victor Raul. His teaching, his life, and his doctrine have made history. Here are the people of Peru with their faith and love, a people who cannot be defeated by daily adversities, a people who continue to support the government. It would be useless for me to wear the presidential sash and to hold this position if I did not feel the firm support of the Peruvian people for their government. Sometimes in the midst of problems I look to the side as if moved by a touch on the shoulder and then I realize that I am not alone. I find the Peruvian people, the poor people, the young mother, the workers without work. I see them all moving in the direction of history, drawing a picture of life, reproducing the face of Haya de la Torre. I see them all telling me to go ahead, not to retreat, the destiny is written, the path is certain so victory will be ours [applause and shouts], long live Peru, long live APRA, long live Haya de la Torre. [applause and shouts]

DE LA MADRID SPEECH OUTLINES ECONOMIC POLICY

PA220307 Mexico City Domestic Service in Spanish 0100 GMT 22 Feb 86

[Address to the nation by President Miguel de la Madrid in Mexico City -- live]

[Text] Mexicans: Today the national economy is facing one of the harshest challenges of the present century. The world oil market is involved in chaotic competition and a generalized price war. This situation has severely affected many oil-exporting countries, especially those of us who are underdeveloped, and although it may seem to offer immediate advantages to the consumers of this basic source of energy, it also has negative repercussions for industrialized countries. Consequently, we are experiencing a worldwide problem of extraordinary magnitude. Mexico has acted responsibly in the international sphere in order to avoid, through agreements, an extreme worsening of the problem. Internally, we have calmly and objectively evaluated the effects of the situation. The public has been analyzing the situation and better understanding it. We have all perceived that the situation changes so much and so rapidly that uncertainty still prevails, and our prevention capabilities are very limited. Nevertheless, we cannot wait for the scenario to clear before we act decisively.

Today I have called on my fellow patriots to inform them of the government's attitude and actions within the national and international spheres and of what I am asking of Mexicans during this difficult hour of our history. In accordance with current provisions, the lowered price of oil could mean a loss in our estimated income of approximately 3 million pesos, which is equivalent to 12.5 percent of the total public income. On the balance of payments, this means that approximately $6 billion may fail to enter the country, which is equivalent to a loss of half of the country's income from oil exports, one-third of the value of the country's total exports, and almost the equivalent of the total of non-oil exports. This is the magnitude of the problem we are facing.

This international challenge comes after 3 years of great efforts by the Mexican people to resolve their internal and external problems. In October 1985, when prospects for the oil market seemed to include a gradual deterioration and not a plunge, several policy options for 1986 were analyzed. A strategy was adopted aimed at resuming the economic clean-up process and the effort to defeat inflation with renewed vigor, as well as to intensify structural changes that the country has been demanding in order to resolve its basic problems. Therefore, the adverse turn in the international situation comes within the framework of the 1986 economic program, the severity of which -- prior to the fall of oil prices -- already demanded unprecedented efforts.

The world oil market is in chaos. During the last decade high oil prices encouraged technological changes to replace it with other sources of energy, which reduced the use of hydrocarbons. The capacity to produce oil has proven excessive. The absence of international agreements among the producing countries and the absence of dialogue with consumers have ended in disorder and chaos on the international oil market.

Mexico's persistent and constant efforts during the past 3 years to avoid this situation yielded positive results during the first 2 years, but as of the second half of 1985 they faced the insurmountable problems of lack of understanding and willingness to achieve stability and order on the oil market. This situation is in addition to a generalized tendency of a decline in the prices of the raw materials we export and the difficulties we have had in finding adequate financial flows in volume as well as in interest rates.

In response to this situation, we have been able to achieve sufficient international discussions and cooperation regarding economic affairs, which Mexico has systematically called for at international forums and in bilateral relations.

The international disarray and its unprecedented impact on our domestic situation demand a firm yet calm response. At home and abroad, diverse sectors have suggested that in the face of this problem the government should radically change the course of its economic policy. To those abroad we have pointed out that we will decide how, when, and what our actions will be to face this challenge. We will not allow people abroad to try to impose on us the road to follow, nor will we accept their expert advice on the handling of our affairs or lend ourselves to be pawns of a confrontation which may benefit parties involved in the international conflict.

At home, discussion often centers around the proposal of acting solely on a development tool, that is, public expenditures. Some people are proposing that we make drastic changes so as to compensate totally for the drop in oil revenues. In contrast, others are advising increases in the budget so as to give greater incentive to economic activities. In response to those who are asking us to lower expenditures to compensate completely for the drop in oil revenues, we point out that this action, or any similar action which calls on Mexicans to absorb most of the external imbalance, is not feasible. A budget cut of that size would imply risking our ensured supplies of basic staples and drinking warer, suspending the country's communication projects, disregarding just demands in the fields of education and health, and noticeably affecting the work of the country's strategic enterprises. This would be incompatible with running the economic apparatus and satisfying minimum social needs.

At the other extreme, other groups are proposing a reactivation of expenditures to take care of legitimate demands that have not been met and to spearhead the development of economic activities, even at the cost of artifically creating the money needed for this. Out of context, this idea may seem attractive. However, a responsible state must reconcile meeting inescapable needs and its fundamental commitments with the prevailing acute shortage of resources. The reactivation of public expenditures under the current circumstances would cause a problem greater than the one we are trying to resolve.

In view of these proposals, the government of the Republic has decided to maintain the domestic development strategy outlined for 1986 in its fundamental aspects, although in view of the changes that have occurred it will become necessary to introduce tactical adjustments in materials and instruments. The strategy calls for the definition of basic paths in order to pursue our objectives. The tactic to be employed consists of the means and instruments to support the defined strategy. The current domestic strategy is the right one. This is not a comfortable or easy option, as it implies making great decisions, efforts, and sacrifices. However, it is based on reality and offers a feasible course. The only thing that the government of the Republic can responsibly offer is to maintain this strategy.

Domestic economic policy cannot change in its fundamental objectives or outlined strategy. Before and after the oil conflict [choque], the basic problems of our economy remain the same. The additional obstacles we are facing today do not change the nature of these problems. Instead they aggravate them. Consequently, the fundamental objective and strategies cannot change, although we must make flexible use of the diverse instruments of economic policy and seek additional margins of action. We still need to readjust the economy, introducing structural or deep changes to reinforce our capacity for development.

These changes demand that we attack the imbalances between the rural and urban areas, in industry, in public finance, and in the external sector.

Internal structural problems persist, we must maintain the strategy that allows us to combat them effectively. We will maintain decisive actions to put our finances in order, to make the industrial structure more efficient, to normalize excessive protection, to increase the country's capacity to generate foreign currency through the diversification of exports and the promotion of tourism, to advance decisively in the process of decentralization, and to upgrade agricultural, fishery, forestry, and mining production, as well as services; that is, transportation, commerce, the financial system, and, of course, in government itself. In sum, the rational and efficient utilization of our natural resources and the adequate development of our people, through education and health, are indispensible in upgrading the overall efficiency and productivity of the Mexican economic system, which is the fundamental objective of this strategy.

We say that the established strategy remains valid. The major advances we have made show that we are on the right track, although the pace of the results may not please but may even exasperate us at times. Our planning system allows us -- as has been the case -- the flexibility to adjust or correct changes in the face of new developments while keeping to our fundamental objectives.

Regarding the oil conflict, the government will firmly maintain the fundamental objectives it has set for the country's development. My intention is and will continue to be to maintain and reinforce the country's independence in order to build a society under the principles and norms of a lawful state that can guarantee individual and collective freedoms in a general system of democracy and in conditions of social justice. National independence, pluralist democracy, mixed economy, and a free and open society are the demands the Mexican people have made.

In view of the additional difficulties we are facing today, we have as a fundamental asset the Mexican people's strength, the clear path the nation is taking, and everything the Mexicans have achieved since the beginning of our revolution. Our democratic coexistence has grown over the past 3 years. We have governed according to the law, and freedoms have been guaranteed. We have advanced in a renewed federalism which strengthens local governments, and a true and profound municipal reform is in progress. At all times dialogue and negotiation have been the means to the solution of conflicts and differences, which is normal in a pluralist society. The nation has enjoyed 3 years of peace and democratic renewal.

Economically, we have protected and broadened job sources, made substantial improvements in the nation's enterprises, and promoted agricultural production. These actions have prevented the collapse of our productive apparatus and employment and have strengthened the recovery capacity of the nation's economy far beyond our expectations.

Regarding public finances, although we have not fulfilled all our goals, we have achieved a considerable improvement, as proven by the fact that public expenditures have been reduced by more than 10 points in relation to our production, a situation without precedent at an international level in such a short period. Important progress has been made in matters of public income, financing for development has been reoriented on the broader bases of domestic savings and the functioning of the new financial system has been institutionally consolidated. We have advanced to some degree in improving and consolidating public enterprises. We have supported the strategic enterprises in their income policies and have demanded more efficiency and productivity. Others have been submitted to a severe revision process to decide, for priority reasons, if they merit the participation of the state. We have proceeded to liquidate or sell those that are not strategic or priority and which, instead of strengthening, have weakened the state's administration.

We have created a new, legal, and institutional framework of development planning. We have promoted the decentralization process, bringing the government closer to the citizens and increasing the influence of the inhabitants of states and municipalities in actions which concern them. Significant advances have been made in taking care of social rights in the fields of health, nutrition, education, and housing.

We have strengthened the decentralization process for city development by developing medium-sized towns and strengthening their links with their rural surroundings.

We have advanced in the modernization of the distribution and commercialization system, struggling against the excessive participation of intermediaries. As a permanent objective, we struggle against social disparities, even under difficult economic conditions.

Fellow citizens, what I have said proves that the country has great strength because of the strength of its institutions and its capacity to adapt itself to change and face adversity. Mexico is not only oil; oil is a strategic resource that the political wisdom of the Mexican system placed forever under state control. In the past we managed to grow without exporting hydrocarbons and without a massive use of foreign credits. This historical lesson teaches us to make the greatest efforts to grow again on the basis of a diversified economy and financing fundamentally supported by domestic savings. Let us learn again to live with what we have.

We will deepen the strategy I have defined. We will decide on the feasible margins for additional adjustments without affecting priority sectors. The limitations in domestic actions have been defined, with maximum possible protection of the living standards of Mexicans and the need to recover our economic growth and creation of jobs.

Difficult moments like these demand a great effort from everyone. We must take note of our common problems, and we must participate in our respective fields. It is unjust and above all impossible to think that only with internal efforts can we absorb in a short time the negative impact that the international economy is having on our country at this moment. For this reason, we are going to restructure at an international level our financial and commercial relations, even if we know that all our problems will not be solved abroad. We will adopt the internal measures necessary with determination and courage. No one else can help us to solve our current difficulties totally. Foreign negotiation is indispensable, but it cannot replace domestic action to solve basic, important structural problems or incidental ones. Ours is the main responsibility.

In view of the circumstances that I have summarized, and based on considerations that I have explained, the government of the Republic adopts the following guidelines in economic policy matters:

Public expenditures: We will reinforce strict discipline and vigilance in budgetary matters. The Secretariat of Programming and Budget, helped by the Expenditure-Financing Commission, will implement budget adjustment measures when warranted. We will review all budgets by maintaining the most pressing priorities in the programs of each institution and postponing secondary programs. We will review physical objectives to adjust the actions to available resources. We will maintain and reinforce policies aimed at imposing austerity in expenditures and will combat any deviation or waste. We will reinforce control over the growth of bureaucratic personnel. The heads of each area and department will be responsible for the implementation of these measures and, in general, the Secretariat of Programming and Budget and the Secretariat of the Comptroller General of the Federation will be responsible overall.

Structure of the public sector: We will continue to liquidate or sell nonpriority entities to ensure efficient compliance with state responsibilities and a rational administration of development. We will maintain areas specified by the Constitution of the Republic as strategic activities strictly under public control. We will eliminate cases of unjustified state presence to reduce excessive indebtedness and fiscal weakness.

Public revenues: We will maintain a policy of realistic prices and rates to avoid lagging behind inflation through gradual adjustments, but we will continue to insist on improvements in the level of efficiency and productivity of the government and public enterprises. As for taxation, we will redouble collection efforts and will apply the law strictly on delinquent taxpayers [causantes remisos]. At the appropriate time, we will (?present) necessary changes in the taxation structure to better adapt it to the current economic reality through a fiscal tax [carga] that will provide the state with needed resources to carry out the tasks demanded by society, will encourage work, savings, and investment, and will distribute equally contributions of public expenditures. In this task we will make the appropriate consultations with various social sectors.

Credit policy: For the near future we will continue to apply a restricted policy in credit matters. The respective measures must be temporary in nature, and they will decrease as the public deficit drops and inflation is controlled. However, we will continue to satisfy financing needs of those areas with the highest social or economic priority, such as agriculture, housing, and the export and tourism sectors. We will also support small and medium-sized production enterprises that have a capacity to pay off debts and are practical but experiencing liquidity problems.

Interest rate policy: The need to increase and keep national savings in our country is greater than ever. This is why we reiterate our objective of ensuring that collection [captacion] instruments will have realistic performances and the public's savings will be firmly protected. The credit sectors with the most pressing social priority will continue to be favored with preferential interest rates. However, we will review the subsidy involved and reduce it when the current level is no longer justified.

Exchange rate policy: We will continue to apply a flexible exchange rate policy, contributing effectively and permanently to the development of our nonpetroleum exports and the efficient substitution of imports. In determining the controlled exchange rate, we will consider the development of internal and external prices, modifications of exchange terms, the status of various exchanges between currencies of foreign countries, and particularly adjustments on tariff levels.

Commercial policy: We will continue to deepen the review of the protection system through additional developments in tariff policy and by resorting to the minimum of quantitative controls. We will implement new specific actions to promote exports, including the assembly plant industry and border area development. The private sector must promote their exports and have a more balanced scale of foreign currency in the face of an unfavorable evolution of the public sector's surplus. We will continue negotiations to gain admission into GATT to obtain a broad framework from which to promote our commercial relations with other countries. As for interior commerce, we will review the subsidies scheme and price control; we will maintain them for popular products and make them more flexible or eliminate those that are not.

Foreign investments: Basing ourselves on the legal guidelines on this topic, we will step up the process of encouraging investments in areas which contribute to our technological modernization and the strengthening of our export capacity. We will seek particularly to facilitate the investments of small and medium-sized foreign enterprises.

Tourism: We will soon announce a series of measures aimed at making a visit to our country more attractive to and easy for foreign tourists. We will step up promotion campaigns, including measures on aeronautic policy. We will establish and carry out actions together with those offering services to offer a better quality of attention to the domestic and foreign tourist. With these measures we will put our current idle capacity to better use and will continue to promote new investments.

Policy of increasing efficiency and productivity: We will urgently promote all those agreements to be made between the labor sector and business to increase productivity and efficiency of the enterprises and improve hygienic and security conditions. The government will join in this great national task.

However, fellow countrymen, despite the efforts being made internally, we cannot expect the effects of these fiscal, exchange, and trade measures to be enough to counteract, in the short term, the effects of the drop in oil revenue. Consequently, we must renegotiate our foreign debt policy, additional financing, and commercial relations, given the new situation. The proposals to be presented shortly to the international financial community will be within the context of a dialogue and negotiation. We do not seek a confrontation, only a realistic and honorable agreement. We want to continue being serious and respected members of the international community. This attitude gives us the right to objective and fair treatment.

Mexico has been an exceptionally responsible country in its financial relations with foreign countries. It has never resorted to confrontations that favor no one, and it has always rejected unilateral solutions. Today Mexico hopes that this attitude will be noted internationally. We will review the financial conditions of the debt service, adjusting these to the country's payment capacity. The foreign debt policy will have to ensure that the agreements reached with the creditors will not only resolve the problem of short-term liquidity but must also be in accordance with the net requirements of funds for the next few years to allow for the operation of our economic system and the indispensable recovery of our growth capacity and creation of job sources. A permanent stagnation cannot be accepted by Mexico, and it would not be good for the international economy.

The net effect of the loss of oil revenue on the 1986 balance of payment must not be compensated for only by greater foreign indebtedness via the flow of new loans. This would lead us into an unending, vicious cycle. This readjustment also calls for sacrifice on the part of the international creditors, who share responsibility in the process of indebtedness. In the management of our foreign negotiations we must establish that any lasting solution to the problem of the debt calls for the resolution of the following issues:

Adjustment of the debt service to the country's real payment capacity; efficient mechanisms for financing and reduction of its cost; opening of markets that will allow us to export and strengthen our payment and growth capacity; and an appropriate international environment that will enable operacional and quick solutions for cooperation in the various areas of the international economy.

Due to the nature and magnitude of the problem, it is impossible to define at this point and without the participation of our creditors a definite system. This system will be established during the talks with the parties involved. These talks will begin next week and will be based on the above-mentioned criteria.

Consequently, we will make an in-depth restatement with regard to the debt service in accordance with the country's payment capacity and taking into consideration the uncertain situation of our oil revenue and the vital interest in keeping our economic system in operation and recovering our growth and job creation capacity. We will not ask the international community to solve all our problems; however, we will ask them to complement the deep and hard internal effort that we, the Mexicans, are making. From these negotiations we expect realism, equality, and absolute respect for our sovereignty.

Mexicans, today is a time for responsibilities, for clear identification with the nation's values and (?intentions); it is a time for courage, serenity in the face of adversity, firmness in the fulfillment of decisions, and unwavering perseverance in the efforts to be put forth. Throughout my mandate I have spoken the truth. I have told the people what can and cannot be done. I have goverened with realism, and in accorance with our principles. More than ever I am governing for all Mexicans, for the Mexicans of today and tomorrow. My commitment is indestructible; it is with the peasants, the laborers, the middle class, the businessmen, the intellectuals, the professionals, women, men, and youths. In the face of the hard adversity of our days, we have the support of what we have already done, of the great nation that we, the Mexicans, have built throughout our history. Memories of yesterday's epics provide the strength of our unity and the guarantee of our progress.

I have stressed that I will not change our current domestic policy, although I will know how to adjust our tactics to the new circumstances. In view of the great problem we are facing, our internal effort consists of deepening the strategy for structural change, which we have set out to do and which was outlined in the national development plan for 1983-1988. It now behooves our creditors to make, at the least, an effort equivalent to the great task and sacrifices the Mexican people have endured.

I will not address the huge external challenge which is now threatening us via a reduction in the living standards of Mexican peasants or a downgrading of the real wages of my country's workers. More than ever, today's priority task is to defend the vital interests of the Mexican people. I repeat that I will not make economic concessions which could undermine our national sovereignty. We Mexicans have been imaginative and firm in our formulas to tackle our problems internally.

Without a spirit of confrontation, the international community will now have to share responsibilities and find jointly with us viable solutions from the standpoint of Mexico's vital interests and the harmonious relations that must exist among the various economies of the world.

The initial strategy in 1986, before the collapse of oil prices, already implied an unprecedented effort by Mexico. To seek to counteract the fall of oil revenues solely through greater domestic austerity could affect unacceptably the functioning of Mexico's economy and the standard of living of its inhabitants. Nobody is obliged to do the impossible.

As president of the Republic, I assumed the commitment before the nation to govern so as to preserve and strengthen our national independence; to respect and enforce respect for the legal system that was born from the Mexican revolution; to protect and enhance individual and collective freedoms' to enrich our democratic life in the political, economic, and cultural fields; to seek a fraternal and harmonious coexistence among all Mexicans; and to maintain and strengthen peace in our Republic. This is my commitment. I have fulfilled it during these 3 years, and I will continue to do so. I demand that public servants redouble efforts, bolster loyalty and discipline, and strengthen internal cohesiveness and teamwork. They must do more with less, scrupulously fulfill their programs and budgets, and contribute to eliminating what is not indispensable. The effort to save and produce must be made on a nationwide basis. Today, more than ever, the public sector must set the example. I repeat my commitment to demand honesty, integrity, and efficiency in the handling of the resources which the Mexican people contribute with sacrifices.

I respectfully request from the citizen governors of the states a most resolute cooperation and solidarity with the federation. I ask them to enhance democratic existence, to broaden dialogue with the social sectors, and to use their resources, which have also been reduced now, to meet the basic needs of the inhabitants of their states on a priority basis.

I ask that the workers of my country struggle together with the government of the Republic to protect real wages and to temper their demands in order to protect sources of employment. I also ask that they make an extraordinary effort to increase the productivity of business concerns. I am certain that we will reaffirm the agreement that unites the government of the revolution with the organized movement of the workers for the benefit of the nation.

I urge Mexico's peasants to make a maximum effort -- which they have always done during difficult times in history -- to produce the foodstuffs required by our country. During these trying times, not a single hectare must go untilled, and those who are producing must substantially increase their productivity. We have confidence in their solidarity and capacity to act.

I also demand from businessmen extraordinary efforts to increase exports and tourism. I ask that they add their capacity to innovate their productivity to that of the workers in order to protect the interests of consumers, that they enter, with talent and determination, new markets in the world, and that they help preserve and expand sources of employment. I urge them during these times of national emergency to make a greater effort, a much greater effort, to reinvest earnings, to use their production capacity, and to fulfill their obligations to the nation. I particularly beseech them to make use of their talent to undertake and not only to conserve. I ask them to meet most scrupulously their obligations to labor and the treasury. The one who has more is obliged to give more.

I ask that the middle classes renew their spirit and admit that the decrease in their living standards has been the result of an unprecedented crisis which the government of the Mexican revolution has combatted harshly in order to prevent its worsening. However, their dynamism and their efforts are required to overcome it.

I hereby urge low income groups in the cities to expand their already vast contribution to the improvement of their communities and environment and to achieve a standard of living that will be more worthy of them and their families.

I call on Mexican women to increase their role in the great national tasks we face today. I ask the youths of my country to devote their vitality and idealism to overcoming our current problems and to assume fully their responsibility in the task of charting and building a better future for the nation. I urge political parties to continue their democratic work, to reinforce our liberties and to put the interests of the nation above their private and party strategies at this critical moment. In the face of this unprecedented effort that the republic is demanding of all of its citizens, I offer to maintain, as my sole guide and purpose, the defense of national integrity and respect for the law, to maintain our liberties, and to protect social rights. Let us deepen our national renovation. These are times for decisive actions. Let us put aside our quarrels, and let us join together to find a solution to the serious problem we are facing.

I convoke the nation to participate together to defend the basic principles that we, the Mexicans, have upheld throughout our history. No one can remain outside the serious battle we are waging. In the face of this challenge, all sectors of society have a commitment: to take their place in the battle for the homeland. For my part, I confirm my personal, moral, and political commitment to serve the nation with no limits but my capacity and no interest but the interest of the homeland that we must all love today more than ever.

Long live Mexico! [people answer: Long live!] [applause]

PRESIDENT SAYS ECONOMIC PROBLEMS REQUIRE CHANGE

FL212158 Mexico City NOTIMEX in Spanish 2050 GMT 21 Feb 86

[Text] Mexico City, 21 Feb (NOTIMEX) -- Mexican President Miguel de la Madrid said that to confront economic difficulties, the Mexican Government will revise its systems, methods, strategies, and tactics to achieve the necessary changes. During the closing ceremony of the 43d Assembly of the National Confederation of the Popular Organizations (CNOP), the chief executive said the Mexican people will not resign themselves to stagnation, regidness in dogmas, ideas, systems, or foreign work systems.

The president said: We will continue to be faithful to the principles of the Mexican revolution and we are open to the change and dynamics required by the country. De la Madrid stressed that a vigorous, ambitious people does not resign itself to stagnation because the Mexican revolution promotes the integral development of the nation. He added that in the PRI the majority peasant, worker, and people's sectors have the task of harmonizing interests that sustain the political scene, the pillars for conserving the nation's unity and force. The president of the Republic added that the majority groups' unity has been the instrument for construction and development of the Mexican revolution, particularly during difficult economic times.

OFFICIALS ASSERT COUNTRY MAY NEED MORE CREDIT

FL220316 Mexico City NOTIMEX in Spanish 0250 GMT 22 Feb 86

[Text] Mexico City, 21 Feb (NOTIMEX) -- Financial officials admitted today that it is possible that Mexico may need additional foreign credit this year totalling between 5 and 7 billion pesos to meet its commitments and needs. Even though currently there is a need for contracting only $2 billion of the $4.1 billion approved by congress this year, it is likely that Mexico will require additional financing to confront the current situation, which has been aggravated by falling oil prices.

The official said that Mexico's financial recovery is absolutely indispensable since the country cannot afford the luxury of not developing this year. They expressed their confidence that the response of the foreign banks will be favorable. The situation needs to be carefully studied said the financial officials, to determine if Mexico's financial support will come only from large and medium-sized banks or if small banks will be included, which would total the involvement of 500 institutions.

BISHOP SALAZAR DENIES CHURCH SEEKS POWER

PA210423 Mexico City UNOMASUNO in Spanish 19 Feb 86 p 3

[Text] Bishop Enrique Salazar said yesterday that the country would be disgraced if the church were to take power on its own or hide behind the acronym of some political party. "National and world history tell us that this should not happen," he pointed out.

Meanwhile, Raul Vidales, a representative of Liberation Theology in Mexico, said that the church is one of the institutions that has favored the flight of capital, "capital amassed with the alms of a humble people dying of hunger." Salazar, coordinator of the Guadeloupan Studies Center, denied that the church is seeking Mexico's political and economic power, and that it is linked with nation's most reactionary interests. "Let them prove this; I admire Fidel Velazquez, he is a man that has done a great deal of good for the country, but what he says is not ture," he pointed out.

Vidales, also an investigator at the Mexican International Institute of Higher Studies said that the Catholic Church in Mexico has strong economic interest along with the oligarchies in Monterrey, Chihuahua, Sonora, Guadalajara, Puebla, and San Luis Potosi, among others. He said that most of the churches have become supermarkets of rites, where the sacraments are sold to the highest bidder. He explained that the income collected through alms and donations are not controlled by the Finance Secretariat, and that a large part of this money goes to the Vatican, as well as to international banks, and a small part remains for private investments in supermarket chains, industries, and tourist resorts.

Vidales said that for some time now the ecclesiastic hierarchy has been involved in politics and exerts power in that field through the wealthy and conservative sectors of the country.

Msgr Salazar said that the church seeks the services of men and that the priests' main function should be their ministry to God. "If a priest is a good minister he has no reason to get involved in politics and divide men."

Nevertheless, he said that is unfair for current legislation to discriminate against priests, and consider them foreigners in their own country.

Recognition of the clergy's citizens rights, he said, does not mean that the church must participate in politics and seek power because such actions rather discredit and corrupt it; "We would no longer serve as we should, and here the phrase 'mind your own business' is valid," he said. Vidales said that the Mexican State does not have many reasons to limit the church's participation, because the church has been the most politically active sector in the country's history. "With strong ties with the most reactionary sectors, the ecclesiastic hierarchy is politically active on a permanent basis, especially in the northern part of the country," he added.

DELVALLE ON RECONSIDERING APPROVAL OF NEW U.S. ENVOY

PA220034 Panama City ACAN in Spanish 2350 GMT 21 Feb 86

[Text] Panama, 21 Feb (ACAN-EFE) -- President Eric Arturo Delvalle said today that it "is possible" that the approval granted to Arthur Davis, the new ambassador designated by the United States to this country, will be reconsidered.

Delvalle added that "anything is possible;" the U.S. diplomat may even be declared "persona non grata," after his statements last Wednesday before a Senate subcommittee for Western Hemisphere Affairs.

Arthur Davis said that the United States must "warn" the Panamanian Government that it "must not continue" the "arbitrary" arrests, such as that of a prestigious columnist of the opposition newspaper LA PRENSA in this capital last Tuesday. Davis also said, according to this newspaper, that the "murder of citizens" must end in Panama, and "they (the Panamanian Government) must be made to see that the civilians must govern the military," a situation which, he said, is not fulfilled in Panama.

This afternoon, Delvalle told the press, after closing a meeting of Panamanian industrialists, that his government "will make prompt decisions" and that the present U.S. ambassador, Everett Briggs, has already been asked to "clarify the situation and been told that we want an exact transcript of Mr Davis' statements to be able to evaluate them properly."

Briggs met this morning with Panamanian Foreign Minister Jorge Abadia Arias to discuss the issue, but the U.S. Embassy has not reported the outcome of the meeting. Meanwhile, Abadia said today that he would avoid "speculating over what we may or may not do until we have the official report that was requested of Ambassador Briggs."

"Any speculation could be harmful and totally out of place at this time," the foreign minister added.

The Democratic Revolutionary Party (PRD), the official party, described Davis' statements, known so far only through the local press, as "incredible."

Abadia Summons U.S. Ambassador

PA211809 Panama City Circuito RPC Television in Spanish 1730 GMT 21 Feb 86

[Text] Foreign Minister Jorge Abadia has urgently summoned U.S. Ambassador Everett Briggs to give an official explanation of the statement by the new ambassador to Panama, Arthur Davis. This official request is for the purpose of taking whatever steps are necessary at the highest level between the two governments to preserve our dignity as a country and our absolute determination that the Panamanian affairs will be handled exclusively by Panamanians.

[Begin Abadia recording] The Foreign Ministry and the Panamanian Government and people will not accept that type of meddling and once the official communication, the official transcript of what Mr Davis said, arrives the Foreign Ministry reserves the right to publicly state the government's stand. We believe and hope that this has been an erroneous interpretation by the newspapers of what Mr Davis is claimed to have said. [end recording]

Legislators Criticize Statements

PA210309 Panama City Televisora Nacional in Spanish 0000 GMT 21 Feb 86

[Text] Legislator Luis Gomez strongly criticized the statements made by the person who will be the new U.S. ambassador to Panama. Legislator Gomez said:

[Begin recording] It is difficult [to understand] that only a few days before this new ambassador replaces Briggs, he is already stating what his position will be. It is as if he feels that he is going to Puerto Rico or Grenada. We do believe that this situation must find a united Panamanian people and a government and popular movement ready for a defense, because this is truly a situation for concern at a time when Central America is seeking a solution and when some sectors are attempting to undermine Contadora to create an environment of war and instability in the area. [end recording]

Meanwhile, Pedro Brin Martinez, president of the foreign relations committee of the National Assembly, said:

[Begin recording] I believe that Ambassador Davis has not understood that the Latin American countries are independent. In the face of Ambassador Davis' statements we must react negatively, especially since there are only a few years left before we remove the last colonialist stake from the Panama Canal. He has not understood that we, as a sovereign and free country, have the right to self-determination, our own government, our constitution, and our laws. All that he has stated, especially the Spadafora and human rights issues, are issues that have been handled here within the Constitution and laws of the country. [end recording]

TROOPS REPORTEDLY PLACED ON 'NATIONWIDE ALERT'

PA222148 Panama City EL SIGLO in Spanish 22 Feb 86 p 1

[Text] Although the military has not confirmed it, it was reported that the Panama Defense Forces command ordered the G-3 to place all troops on a nationwide alert yesterday afternoon. The order apparently came from Colonel Elias Castillo's office. The reason for adopting this drastic measure is not known. Our reporters attempted in vain to obtain more information on the reported alert.

DUVALIER'S ARRIVAL SAID UNDER NEGOTIATION

PA211433 Panama City EXTRA in Spanish 21 Feb 86 p 5

[From the "People and News" column]

[Text] If Baby Doc Duvalier comes to Panama he might live in a residence located in the community of Pinas, Colon. The Cortiza family already sold that property near the beach and it is known that his arrival in Panama is being negotiated.

COSTA RICA

ARIAS' CONTRA REMARKS DRAW VARIOUS REACTIONS

PA222349 Panama City ACAN in Spanish 1915 GMT 22 Feb 86

[By Wilfredo Chacon S.]

[Text] San Jose, 22 Feb (ACAN-EFE) -- According to a spokesman for the next Costa Rican president, President-elect Oscar Arias has not condemned, much less criticized, the U.S. Government or Ronald Reagan personally.

In a U.S. television interview this week Arias referred to the support given to the "contras" and said that if he were President Reagan "he would give those funds in economic aid to Guatemala, Honduras, El Salvador, and Costa Rica."

"I don't think President Reagan can have what he wants with that money" Arias noted and added: "On the contrary, the result of the aid to anti-Sandinist rebels until now has been a more dictatorial and totalitarian government in Nicaragua."

Former Deputy Foreign Minister Jorge Urbina, Arias' delegate to the recent Contadora Group meeting, denied that the future chief of state had intended to criticize Reagan. Urbina said that the remarks, which are being analyzed from various points of view, must be placed within the framework of a general policy that results in peace for Central America. Not only must the aid to anti-Sandinists be suspended, but also Cuban aid to Nicaragua and the cooperation that Managua gives to the guerrillas in El Salvador, Urbina noted interpreting Arias' opinion. No other politician has supported the president-elect and Luis Alberto Monge, the president of the Republic, was very cautious in responding to the press about the situation created by Arias' remarks.

"I will not comment for the time being because I don't want it believed that there is a conflict with the president who will succeed me on 8 May," Monge stated.

The opposition, represented by the Social Christian Unity Party (PUSC), which lost the recent elections to Arias' social democratic National Liberation Party (PLN), has not missed the chance "to exploit this for its own gain." PUSC official spokesman Christian Tattenbach backed Arias in "not lending the territory" to the Nicaraguan rebels, but not the objections made to Reagan's policy toward Nicaragua. He told ACAN-EFE: "We do not have to agree or disagree with Reagan" on the problem between Washington and Managua.

Another Arias critic was former Foreign Minister Bernd Niehaus of the main opposition party who noted that prior to the 2 February election, the candidate had said that he favored U.S. aid to the anti-Sandinists. "He has now changed his opinion," he stressed.

Arias has maintained that the only way to achieve peace in Central America is through negotiations in which "the Latin Americans must force the Sandinist government to participate."

ARIAS PLANS TO VISIT REGIONAL COUNTRIES

PA210407 San Jose Radio Reloj in Spanish 0100 GMT 21 Feb 86

[Text] Costa Rican President-elect Oscar Arias Sanchez has stated that he has accepted an invitation to travel to Venezuela on 2 or 3 March.

He added that Venezuelan President Jaime Lusinchi offered to send his personal plane for him, and since this is a 2-day visit, he accepted. Moreover, he said that on the way back he will visit Colombia to meet with President Belisario Betancur.

The president-elect's trip to Central America will take place in March, but so far the dates have not been fixed, as he stated. Arias noted that the meeting with the presidents of the region to discuss very important topics will take place upon his return from Venezuela. However, he did not give further details on the matter.

Moreover, the future president has said that by next week he will have chosen the entire Cabinet. So far, there are a few names that have not been decided on yet, and so he needs to think about that a little longer.

CIVIL GUARD ON ALERT DUE TO EPS-CONTRA CLASHES

PA220520 San Jose Radio Impacto in Spanish 1830 GMT 21 Feb 86

[Text] Colonel Miguel Ortiz, Rural Assistance Guard regional director of the northern zone, reported that there were violent armed clashes last night, close to Costa Rican territory, between rebels and Sandinist soldiers.

Shots from various caliber firearms, including mortars and rocket launchers, could be heard not too far from Golfito de Puerto Viejo, in Sarapiqui. The clashes continued this morning, and we could hear the shots from our territory although the clashes are taking place in Nicaraguan territory, Col Ortiz said.

Some wounded fighters were turned over to the Costa Rican Red Cross and taken immediately to San Carlos Hospital. According to reports, 12 are in serious condition, and there are many more casualties.

The Costa Rican Rural Assistance Guard and Civil Guard have been placed on a state of alert.

EL SALVADOR

POLICE KILL AIR FORCE COMMANDER BUSTILLO'S SON

PA231905 Paris AFP in Spanish 1828 GMT 23 Feb 86

[Text] San Salvador, 23 Feb (AFP) -- Military sources have announced that Ivan Benjamin Bustillo, a son of the commander of the Salvadoran Air Force, was riddled with bullets by a police unit in this capital's southwest last night.

The Press Committee of the Armed Forces (COPREFA) has reported that the youngest son of General Rafael Bustillo accidentally fired his weapon, creating confusion among the police agents who immediately fired back, killing him.

Ivan Benjamin was travelling in his private vehicle when he approached the police post near Jesus Simeon Canas University, according to reports.

The body of the young Bustillo was identified this morning in the Military Hospital by judicial authorities who found his body riddled with bullets.

ARMED FORCES ROUNDUP OF MILITARY SITUATION

PA210313 San Salvador Radio Cadena YSU in Spanish 1800 GMT 20 Feb 86

[Text] Today, leading military sources have reported on the country's military situation in the past few days. According to information released to the press, the guerrillas do not stand much chance of success and have instead resorted to sabotaging both the energy system and phone booths in various areas of the country. The bulletin said that 12 people were killed and 63 wounded by mines in 1984; in 1985, 53 were killed and 175 wounded; 10 have been killed and 37 have been wounded so far this year. All of these victims were civilians. In addition, one more person was killed and another was wounded by the explosion of a mine.

According to the military source, guerrillas have kidnapped 27 civilians and sabotaged traffic twice so far this year. During the first traffic stoppage of 1986, from 16-21 January, guerrillas destroyed at least seven vehicles and destroyed [as heard] three. In all, 16 vehicles were sabotaged. During the second stoppage, from 31 January to 8 February, 22 vehicles were destroyed.

It has also been reported that measures to protect coffee and cotton pickers and sugarcane cutters were taken in various places of the national territory.

Major operations in January were also reported. According to the Armed Forces, 10 operations have been carried out in January and another is in progress. The most important is "Phoenix," which began on 9 January in the Guazapa Hill area. Other operations occurred in Cinquera and Tenancingo, and the so-called "Carlos" operation north of the Torola River in Morazan Department. The 2d Infantry Brigade and the 2d military zone undertook operations to protect coffee pickers. Airborne operations took place in El Paisnal, Guadalupe, Cinquera, La Ringlera, and La Quimera, the latter two in the south of Usulutan Department, near Jucuaran, while the Cinquera operation occurred in Cabanas and the El Paisnal operation took place in San Salvador Department.

The Armed Forces have suffered 26 dead, including a cadet and a member of the civilian defense, so far this year. Two hundred and fourteen have been wounded, and nine have been reported missing, most of them in Chalatenango Department.

A detailed report of the casualties suffered by the five organizations that form the FMLN's General Command has been given. The People's Liberation Forces have suffered 71 dead, 16 wounded, 331 captured -- described by the Armed Forces as rescued -- and 16 have defected. The People's Revolutionary Army suffered 42 dead. The Armed Forces of Liberation, FAL, has suffered 17 dead, 16 wounded, and 51 captured. The National Resistance suffered 14 dead. The Revolutionary Party of Central American Workers, PRTC, suffered three dead and eight captured. The total number of casualties inflicted on the guerrillas so far in 1986 is 147 dead. It has also been reported that the Armed Forces have lost 41 weapons in various clashes in various places in the national territory. As for weapons seized from the rebels, the report indicates 175, including an 81-mm mortar, six M-60 machineguns, G-3 and M-16 rifles, and ammunition of various calibers.

Operations have continued in various departments, such as in western San Salvador Department.

Also, the Acajutla industrial complex in Sonsonate is being protected. Operations are taking place in Aguafria and Aguacaliente in the north of Chalatenango Department. The 1st Infantry Brigade is carrying out actions in San Pablo Tacachico and El Paisnal, similar to the ones carried out in the north of San Salvador Department. Still another operation is taking place in San Jose Guayabal. This one was started on Sunday as part of what has been called the fourth stage of the counterinsurgency "Phoenix" operation, initiated on 9 January. Actions have also continued in San Vicente, Jucuaran, and Santiago de Maria, where the national Navy battalion also operates.

An infantry brigade unit operates in Ciudad Barrios, San Luis de la Reina, and other conflicting sectors of the area. It has also been said that the guerrillas have between 5,000 and 6,000 armed men in various places of the country who are mobilized from one place to another. Defections have also been mentioned. According to the military bulletin, it has been difficult to convince Marxist-Leninists in the FMLN with psychological efforts.

The general staff has issued instructions to not leave the ground mined. Mines have been left planted near hydroelectric plants and military garrisons to prevent rebels from approaching. Civilians, however, are well aware of this fact, and this prevents accidental deaths. The Armed Forces already have special units to deactivate mines. Military sources have reported a number of casualties in the country because of this effort. A few days ago, heavy bombing occurred in El Salitre and Los Lirios cantons, near San Jose Guayabal. Military officers have said that the strong explosions heard from a distance are due to the many mines that had been planted and detonated by the 500-lb bombs dropped.

It has also been reported that 461 rank-and-file members of the guerrillas have been turned over to humanitarian organizations, such as the (?Red Cross), their relatives, and the Catholic Church. Some of those detained in San Marcos Lempa have disclosed information that will help military intelligence disable guerrillas, mainly in San Marcos Lempa, [names indistinct], and other nearby villages where a strong guerrilla contingent has been operating recently.

According to today's report, 65 percent of the members of the Salvadoran Armed Forces are engaged in defensive operations throughout the national territory, while the remaining 35 percent are carrying out offensive operations in various areas. This in fact limits the Armed Forces' movement to some extent, yet actions are taken to try to disable the guerrillas.

The Salvadoran Air Force's bombings are executed according to instructions issued by President Jose Napoleon Duarte last year, especially taking into consideration a military unit's request for air support against the guerrillas and the detection of a concentration of rebels at a specific point. This is then studied by the Armed Forces staff, which determines whether air support is really needed.

This has been the report that high military sources released today for the news media, both local and international.

FARABUNDO MARTI REPORTS U.S. 'ADVISER' KILLED

PA211507 (Clandestine) Radio Farabundo Marti in Spanish to El Salvador 2300 GMT 16 Feb 86

[Text] Attention, Salvadoran people. Reports reaching Radio Farabundo Marti indicate that on Saturday, 15 February, U.S. Captain Peter (White Lucen) was shot to death in a sector near the national zoo of the national capital.

Reports received also indicate that the above-mentioned Yankee militaryman was accompanied by two officers of the Salvadoran Army at the time of his execution [adjusticiamiento]. This Yankee adviser, the reports added, lived in our country, and, according to the documents found on him, he was a Navy captain. However, unofficial reports released by various media identified him as a possible U.S. Embassy military adviser. In our coming broadcasts we will expand on this information.

FARABUNDO MARTI CRITICIZES REAGAN GRENADA TRIP

PA211414 (Clandestine) Radio Farabundo Marti in Spanish to El Salvador 2300 GMT 20 Feb 86

[Excerpts] Today, 20 February, the President of the imperialist United States (Government arrived in the island of Grenada, with the same arrogance with which the Yankee Marines invaded that country in October 1983. The visit by the most cynical, deceitful, and aggressive President the United States has ever had is the biggest insult the people of Grenada can suffer. Currently in Grenada, the [words indistinct] and in official ceremonies the U.S. national anthem is played. In Grenada's buildings and schools built by the revolutionary government of Maurice Bishop, the flag of a foreign nation is now displayed. As Latin Americans, we can only feel indignant over Reagan's visit to Grenada. As Latin Americans, we are confident that the Grenadian people, as all the other peoples of our America, will regain their freedom lost at the hands of... Patagonia, at the hands of Latin America [as heard]. From Rio Bravo to Patagonia. [Latin America] is waking up. The voices and fists of our peoples will be raised heroically to recover our lands and rights. Long live the heroic people of Grenada! Yankee invaders out of Grenada! Long live the Latin American people's anti-imperialist unity!

ORGANIZATIONS MARCH TO PROTEST ECONOMIC MEASURES

PA221448 (Clandestine) Radio Farabundo Marti in Spanish to El Salvador 1830 GMT 21 Feb 86

[Text] Approximately 100,000 workers are marching through the streets of San Salvador to protest Duarte's economic measures package against the people. The marchers represent more than 100 labor unions and organizations, including the National Association of Salvadoran Teachers, the General Association of Salvadoran University Students, the UPD [nor further identified], the Salvadoran Workers National Union Federation, the National Administration for Telecommunications labor union, (?COATES) [not further identified], Committee of Mothers and Relatives, the Federation of COPADES [not further identified], the Santa Tecla Peasants Union, and many others.

The workers are carrying posters protesting the economic measures that Duarte has imposed under foreign pressure to finance the dirty war against the people. Greetings to all the Salvadoran workers.

HONDURAS

ARMED FORCES ANNOUNCE INTERNAL CHANGES

PA222351 Panama City ACAN in Spanish 1506 GMT 22 Feb 86

[Text] Tegucigalpa, 22 Feb (ACAN-EFE) -- The Honduran Armed Forces today announced several changes in their internal structure as part of a reorganization started by General Humberto Regalado Hernandez, who assumed command of the Army [as received] yesterday.

Colonel Amilcar Castillo Suazo was appointed chief of the Joint General Staff replacing Colonel Efrain Lisandro Gonzalez. By law, Gonzalez was commander of the Armed Forces for 15 days when General Walter Lopez Reyes resigned on 1 February.

The destiny of the former chief of the Joint General Staff together with that of other officers who were replaced, is still unkonwn.

Thus, Colonel Adalberto Paz Alfaro was appointed paymaster general replacing Air Force General Jose Serra Hernandez.

Colonel Jose Alvarez Flores was appointed Armed Forces auditor general, Lieutenant Colonel Quintin Flores Auceda was apppointed senior officer [oficial mayor], and Lieutenant Colonel Oscar Fuentes Delgado was appointed Armed Forces aide-de-camp.

NICARAGUA

PRESIDENT ORTEGA DELIVERS 'ANNUAL REPORT'

PA220111 Managua Domestic Service in Spanish 1627 GMT 21 Feb 86

["Annual Report" to the National Assembly presented by President Daniel Ortega at the National Assembly's Heroes and Martyrs building in Managua -- live]

[Text] Upon greeting the beginning of this second period of National Constituent Assembly sessions, we recall that 52 years ago, on 21 February 1934, President Ronald Reagan's forefathers ordered the murder of Augusto Cesar Sandino.

Since then, until 19 July 1979, the Yankees, Somoza, and the Higher Council of Private Enterprise [COSEP] imposed their democratic, capitalist, free enterprise system on the Nicaraguan people. The Yankees, Somoza, and COSEP at that time owned Nicaragua's wealth, and they learned to democratically distribute the booty among themselves. The Yankees, Somoza, and COSEP murdered peasants, workers, students, women, the elderly, and children, making themselves increasingly wealthy with the blood and sweat of the people, while the national guard defended the exploiters' interests.

The Yankees, Somoza, and COSEP distributed the land among themsleves and exploited the peasants, just as the conquistadors did. In this manner, 36 percent of the arable land was in the hands of 3,000 landowners, which made them the owners of 2,920,000 manzanas, while 17 percent of the land, or 1,411,000 manzanas, were distributed among thousands of small owners in plots of 10 to 50 manzanas and, at times, even less than 10 manzanas.

The Yankees, Somoza, and COSEP established a democratic regime that denied the people an education. Fifty-three percent of the people could not read or write, and seventy percent were potential illiterates. The Yankees, Somoza, and COSEP denied the people health, and polio and other diseases took the lives of thousands of children yearly. The Yankees, Somoza, and COSEP became wealthy at the expense of the poor Nicaraguans' need for housing. They denied the people access to the media, and they denied them the right to organize.

This was the dictatorship of the capitalists and the parties of the wealthy, the only parties that could govern in order to defend the interests of the wealthy. At that time, the Army was populated by ignorants and (?brutes) who defended the exploiters' political, economic, and ideological interests. This is what they described as representative democracy.

They were financed by Washington. Bankers and international organizations also financed them because they were encouraged by Washington to provide financial aid to Somoza and COSEP. Arms and advisers also arrived from the United States to defend the Somozist democracy from the people's brutality.

Those times and that democracy disappeared forever from Nicaraguan history on 19 July 1979 when Sandino, 45 years after being crucified, was resurrected among the rebellious people, and an authentic democracy was established for the first time and forever in the new Nicaragua.

Democracy and people's power, not the power of the wealthy; this is true democracy, the power of the workers, peasants, and laborers, also allowing minorities to participate. This is true democracy; pluralistic, at the service of the workers, the democracy that has been established and institutionalized in Nicaragua with the triumph of the Sandinist people's revolution.

If democracy is here to serve the people, then wealth must be distributed with justice. This is why I have always given the peasants the land, affecting the lands of the state and the big landowners who own more than 500 manzanas, reducing the landowners' possessions from 2,600 to 1,000 [manzanas] and increasing by thousands [of manzanas] the land of the individual small and medium producers as well as cooperatives, which now own 57 percent of the country's land.

To this we add 19 percent of the land used for state institutions, which gives a total of 76 percent of the land equitably distributed, 24 percent in the hands of 3,000 landowners in plots of 200 to 500 manzanas, and 1,000 landowners in plots of more than 500 manzanas.

If democracy is here to serve the people, it must be expressed in education, health, culture, and sports. The elections held in November 1984 would be worth nothing if they were not accompanied by deep economic, social, and cultural benefits for the working people.

I present my report on the 1985-1986 government effort with the certainty that the greatest effort has been made with minimum resources, with increasing awareness and organization of the state apparatus. We cannot ignore the deficiencies we still face, as well as the mistakes we have made. Therefore, this report must find fault with an effort that has been permanently subject to the critical vigilance of the organized people, emphasizing the fact that popular vigilance should be carried out with a greater participation of the masses in the state's mission. The workers earn this authority by being efficient and disciplined in their work.

The worldwide economy has been facing a deep crisis. Latin America has been one of the most affected areas in the Third World. Its gross internal product per inhabitant in 1985 was below 9 percent of that of 1980. It was below the levels reported in 1977. Inflation rose to 328 percent in 1985, the value of exports dropped to 6 percent, and the deterioration of exchange rates was 3 percent, an accumulated rate of 16 percent during the 1980-1985 5 year period. The foreign debt of $368 billion must be corrected because in 1985 the region exported capital totalling $3C billion to developed countries and international banks.

During the (?1981)-1985 period, net transference of resources totalled $106 billion. The Central American countries have experienced greater deterioration, also the product of military and political tension promoted by the Reagan administration. Per capita income is at the same level as 15 years ago.

Nicaragua has suffered more than other countries because the systematic aggression by the U.S. Government has also affected its economic infrastructure and foreign trade.

Economic policy in 1985 was based on sustaining our direct and indirect defense needs, and fighting off inflationary tendencies through the fulfillment of a program of material production and basic investment services adjusted to the limited sources available. The disorders created by the war of aggression have caused serious economic troubles, with the additional aggravation of the international crisis.

The disorders imposed by the war of aggression have forced us into a true survival policy, which has affected the constant growth of social services, but it has helped us to better regulate and control the concepts that linked national reconstruction to long-term economic development plans. With this protection, the following corrective measures were established in February 1985: Prices paid to producers were raised, salaries were readjusted, subsidies were eliminated, losses through devaluation were reduced, and the direct supply of products to workers was guaranteed.

As a result of the trade embargo decreed by Reagan in May, new measures to guarantee self-sufficiency of food and the maintenance of U.S.-made equipment were announced. The effort to make the economy succeed has been affected by the costs imposed by U.S. aggression. The greatest damage to physical installations and production has taken place in areas bordering Honduras and in the coastal areas. Preliminary estimates of production losses and damages in 1985 are $121 million, or 40 percent of our imports.

Nevertheless, this figure is $76 million less than the losses of 1984. This means that in 1985 losses caused by the aggression were reduced a little. Of course, this is explained by the degree of development achieved in the revolution's military defense. As an important part of its aggression strategy, the Reagan administration exerted pressure more openly before multilateral credit organizations such as the World Bank and the Inter-American Development Bank in order to block these institutions' loans to Nicaragua, freezing loans already approved in the amount of $423 million. This means that capital income from multilateral credit sources were reduced to zero in 1985, preventing the payment of $73 million programmed for farming and agro-industrial projects.

In 1985 commercial aggression also increased with the embargo, representing an approximate cost of $50 million due to the net effect of the drop in export prices and the increases in import prices. We were forced to look to other countries because of the increased cost of shipping cargo in both directions. All in all, damage to production, infrastructure, and materials caused by the financial and trade aggression in 1985 add up to $244 million.

The economic costs imposed by the aggression represent a considerable economic burden because it has become necessary to request greater financial aid for the defense budget and the country. In 1985 it was necessary to increase defense expenditures by 38.5 percent of the total budget. We have had to finance the war with internal resources, which has caused great financial disorder. Defense requirements also affect industrial production because we must avert industrial production resources to defense. Nineteen percent of textile production goes to defense; 30 percent of shoe and tannery production, 5 percent of plastics, 8 percent of paper, 20 to 60 percent of construction material production, and 3 to 18 percent of metal-working industry production goes to the revolution's military defense.

The supply of basic products has also been considerably affected, because a large portion of the basic products that the state distributes for internal consumption is set aside for the fighters mobilized in the war zones.

Ten percent of rice, 2 percent of sugar, 6 percent of oil, 8 percent of corn, 3 percent of salt, and 8 percent of beans have been set aside for the fighters.

The aggression's impact on the balance of payments in 1985 was $108 million, the result of an increase in the trade balance deficit of $89 million, and a $19 million deficit in the capital balance.

Production losses due to the effects of the aggression in addition to the financial and trade embargo imposed by the Reagan administration have reduced the entire economic level. The cost (?induced) in the gross internal product in 1985 rose to $608 million. The imperialist aggression has had serious effects on the Nicaraguan people's standard of living, especially in the war zones such as Regions 1, 5, and 6, and the special zones. A total of 120,324 people have been forced to flee because of the war. Of these 33,000 are already established in 65 settlements. Fifty-five health units in these areas, including a hospital, four health centers, and 50 health stations have been affected by the counterrevolutionaries' activities, harming 250,000 people.

The mercenaries of the Reagan administration have destroyed four rural child centers, three rural children's mess halls, and two offices of the [name indistinct]. They have also looted other installations that provide services to children, affecting 2,222 people including children and elderly.

The terrorists of the Reagan administration have destroyed 48 schools. They have damaged 502 other schools, affecting 60,240 elementary school children and 31,120 students of the adult education program.

In 1985, the total number of victims amounted to 4,770. This included 1,452 dead, 1,863 wounded, and 1,455 kidnapped. The total number of victims between 1980 and January 1986 already amounts to 12,332. These include 3,999 dead, 4,542 wounded, and 3,791 [all figures as heard] kidnapped. Of these figures, 912 are children, 2,193 are youths, and 9,227 are adults and elderly.

If we include the Nicaraguan mercenaries, who, deceived by the imperialist policy, have become casualties of the people's weapons -- which also makes them victims of the U.S. aggression -- the total number of victims amounts to 23,822 people. Of these, 13,930 Nicaraguans have died.

When we see the total number of dead in Nicaragua as a result of the criminal policy of the U.S. Administration and compare the size of our country's population with the U.S. population, we would find that the current number of dead in Nicaragua from the aggression is equivalent to the United States suffering a total of 1.31 million dead.

Amid this situation of aggression, we have promoted agricultural activity. Ninety percent of the planned cultivated area was planted. We all know that there was a heavy drop in the cotton sector. The export products in general show a 9.8 percent reduction in the planted area while there was 0.6 percent in the production of products for domestic consumption, particularly regarding sorghum production.

Regarding coffee, we expect to obtain 1 million quintals of gold coffee. The production of sugar is 921,106 quintals higher than the previous period totalling 5.2 million quintals. There was a production of (?104,102) quintals of sesame. There was a production of 5.9 million boxes of bananas.

We said that the planted area of products for domestic consumption increased 26,700 manzanas compared to the previous period for a total of 547,600 manzanas. This will result in a production of 12.7 million quintals.

In the livestock sector, [number indistinct] head of cattle were slaughtered, and the production of meat was 98.8 million pounds, achieving 95.3 percent of the plans. As we know, meat exports were affected. Domestic consumption increased, but the meat exports decreased. There was a slaughter of 286,000 pigs, which produced 19.5 million pounds [of pork]. The production of poultry meat was 22.6 million, and egg production was 20.9 million dozens. In pork, poultry, and egg production the goals were surpassed.

In 1985, an extraordinaty plan for the transformation of the land ownership structure was carried out to guarantee the implementation of a special policy of massive land distribution; in other words, agrarian reform. We distributed 508,584 manzanas, benefitting 19,070 families.

In industry, where the drop of real production was expected to be 3.8 percent compared to 1984, the evaluation shows an overall fulfillment of 95.1 percent. There was a drop in industry. In other words, industry has been affected. The industrial exports have also been affected.

The same thing occurred with the mining sector. It maintained a minimum production but was greatly affected. Fishing was also affected because many fishing boats continued to be used for the defense of the revolution. Out of 100 motorboats, 41 motorboats are in use. Therefore, fishing has also been greatly affected.

We looked at the investment policy very closely in 1985 because our investments have gone far beyond our real material possibilities. [sentence as heard]

Aggression has reduced the country's investment capacity, affecting social programs and also productive investments. We mention social programs because it hurts, no doubt, to cut down programs when it is a matter of building schools, health centers, and houses. We've had to cut down programs. It also hurts to cut down programs when they concern very important productive and energy programs.

Despite efforts made and despite the aid to investments, last year's investments were greater than the country's material availability [disponsibilidades materiales] -- the financial, as well as the internal, external, material, and technical availability. They were less. Consequently, the implementation was not 100 percent. [paragraph as heard]

The most important projects in this implementation were: the Canoas project, the (Sultepe) dairy project, the Sebaco Valley development enterprise, the Health Ministry No 1 project, the central machinery and foundry shop, the Siuna plan, the Bonanza-Siuna energy project, and the July Victory sugar mill.

Important progress was made in the investments of the geothermal Project No 2, such as the construction of fuel tanks, a road, and an airstrip.

Eighteen percent was devoted to the social [word indistinct] in housing projects, gradual subdivisions [urbanizaciones progresivas] and potable water among others we will mention later on.

The planned investment rose to 13,599,300 cordobas. This was the total investment last year.

The scarcity of foreign exchange also affected construction and transportation. Foreign exchange is linked to the aggression and also to the international economic situation.

This has created a need to increasingly [word indistinct] construction and transportation in accordance with the most urgent priorities of defense and production. Therefore, we had to postponse essential projects such as the new railroad. We had to postpone a project as urgent as that one. The preparatory work on the large hydroelectric plants also had to be postponed.

We made progress in the construction of the road to Rio Blanco [word indistinct] there is San Carlos, as well as rural roads, and protection projects [obras de proteccion] for port installations.

Transportation problems are an increasingly limitation for construction, production, government activities, and the people's daily life. In view of the scarcity of foreign exchange, we have had to start rationalizing the composition of the vehicles in the country and the distribution of spare parts and tires, as well as making maximum use of collective transportation units. We've had to get the most from these units by rationalizing their use, controlling them better, and maintaining them better because there is overuse and abuse of the transportation equipment. But in addition to this abuse, the maintenance given to this equipment is not the best, affecting transportation units faster than abuse. Spare parts are not changed in time. In addition, there is also the criminal activity of drivers who damage their units in order to make deals with the spare parts. Thus, we have a serious problem, which the Transportation Ministry is tackling with the presidency of the Republic.

The fiscal policy was aimed at (?reducing) the deficit by increasing revenues and rationalizing spending. A total of 2,122 vacant positions in the state were eliminated. We eliminated subsidies. Fuel consumption and the investment program were reduced. We curbed the fiscal capitalization for the business sector and we adjusted the prices of the main public services.

Regarding the exchange rate policy, the official devaluation of the exchange rate implied approximately 2.7 billion in exchange difference [diferencia cambiaria] which, in turn, resulted in an indirect incentive for production. [sentence as heard]

The total foreign financing contracted, at a medium and long term, increased to $756.3 million. The trend in this is to decrease. I said decrease because the financial support, the credit lines, etc. that we received from multilateral organizations were frozen.

In addition, there is the pressure the U.S. Government has put on Latin American and European governments not to help Nicaragua. Despite all this, cooperation lines continue.

In May 1985 when the U.S. Government implemented the economic embargo, the socialist community and the Western bloc responded with more than $400 million in credit lines and donations for Nicaragua. The total donation figure for 1985 was $75.7 million.

Our precarious capacity to make foreign debt service payments -- a result of the difficult situation we are facing -- has also affected our efforts to get credit lines disbursed. For example, there has been the situation in which we have credit lines approved with friendly countries -- they have credit lines available for $30, 40, 20 million -- but we can't use them because we don't have the capacity to pay.. In other words, we don't have the possibility to get up to date with that friendly country giving us a credit line. We already have a debt with them.

We have to pay the service of that debt, which is a bilateral debt, but since we don't have the capacity to pay and can't pay the service of that bilateral debt, we can't use that credit line. Therefore, we have millions of dollars frozen in credit lines for spare parts, supplies, equipment, and raw materials for agriculture, industry, and production, but we can't use them. Why? Because we do not have the payment capacity, and for this reason we are not up to date with these friends. The cooperation from the countries of the socialist community has increased.

In 1985, the Nicaraguan Institute of Insurance [INISER] was able to strengthen technical reserves and increase the deduction of premiums and increase fixed term investments as a result of a strict control of expenditures and an increase in production. In addition, popular insurance was promoted in order to provide insurance to the majority groups. Despite the difficult situation, INISER has continued to work in such a sensitive field as insurance.

In 1985, we registered a decrease in national production. With the exception of coffee, seafood, and bananas, the traditional exportable production registered drops in both volume and price. It amounted to $301.6 million, $86 million less than in 1984. It represented 36.2 percent of the total import of goods and services, which was $832.4 million. In other words, we exported $301.6 million while we imported $832.4 million. It is true that we obtained more than $700 million worth of foreign support through credit lines, etc. However, this does not mean that those $700 million or so entered the country because we have had problems such as the ones I explained. We have found ourselves with available credit lines since last year; we have $40 million to $50 million available from friendly countries in Latin America and Western Europe, but we cannot utilize them because we are not up to date in our payments to those friendly nations. Therefore, the gap [between imports and exports] has been large.

The average inflation in 1985 was 219 percent as a result of increased production costs, price increases paid to producers, and the elimination of the subsidies in addition to the financial imbalances.

Regarding the expenditures, they amounted to 62,898,300,000 [currency not specified]. The revenue was 36,411,700,000. The deficit amounted to 26,486,600,000, which represents 23.1 percent of the gross domestic product. This was financed almost solely with internal resources. This also explains a good part of the inflation rate.

In 1985, there were no cases of polio, and there was a drastic reduction in the cases of measles and tetanus for the third consecutive year. We experienced a dengue epidemic whose control was achieved through the integrated actions of government institutions and the people's mobilization. The hospitals in Bluefields, Matagalpa, Rivas, and the Karl Marx Hospital in Managua entered into full operation. Health services suffered a slight reduction because the 5.5 million consultations in 1985 were 8.1 percent less than in 1984.

Regarding the wage problems, the approval of the wage scale law -- even though there was some disorder and confusion in the beginning -- signified an advance in setting wages in order in accordance with the inflation rate. A new rate was implemented in 1986 which, compared to the average wage in May, signified a 89.3 percent increase. Within the policy of regulating wages, payment in kind was eliminated. The national system of organization of work and wages covers approximately 430,000 wage earners, including those in agricultural work. An incentive policy was promoted to increase productivity and improve workers income. There was significant progress in the agricultural and livestock sector with regard to establishing regulations for work.

Ninety percent of this effort was achieved. In industry, this was achieved in 40 enterprises.

The Nicaraguan Social Security and Welfare Institute [INSSBI] implemented integral policies in social security and welfare covering half of the Nicaraguan population -- 1,624,111 people -- with its benefits. Priority attention was given to combatants and their families; those displaced by war; war orphans; people in 65 settlements in Regions 1 and 6 under an emergency plan that signified the expenditure of 450 million cordobas; aid to the Miskitos who returned to the banks of the Coco River; and those affected by the floods, the earthquake in Rivas, and the drought in the north. We have had drought. We have had floods. We have had earthquakes. We have a war of aggression.

To resolve the supply problems, the storage and distribution network continued to be organized, seeking to establish a sure network with national, regional, and zonal enterprises. In addition, a number of measures were implemented to stop speculation. This is a battle that we continue to wage and that we must continue with much emphasis and strength.

The guaranteed prices for agricultural and livestock products were also increased in the 1984-1985 season. They were increased 170 percent for the domestic consumption products and 60 percent for the export products.

Elementary, secondary, and technical education were improved in transformation, improvement, and organization. Management and development of education as a component of defense and production is a new element that we are implementing and will continue to implement. The bilingual and bicultural programs of the Atlantic coast were advanced and improved. The [word indistinct] Andrade Brigade was formed and rural work-education schools were developed. The number of students enrolled was 831,928 -- 8.3 percent less than in 1984. As we explained earlier, the adult education program was especially affected in the rural areas and war zones. This drop is also partly due to the mobilization of the youth in the Patriotic Military Service.

In higher education, Nicaragua had a rate of 91 students per 10,000 inhabitants. This is high for Central America. Eighty-four percent of the students are enrolled in universities and 16 percent in the higher studies technological centers. Approximately 67 of every 100 students are studying to obtain degrees in priority fields for the country's economic and social development. Two thousand scholarships were granted in the priority fields to the low-income students from remote areas.

In the cultural sphere, activities were carried out through the cultural brigades that directly involved more than 1,106,000 spectators and indirectly involved the entire population of the country. Nine books and magazines were published. Three medium-length films, two documentaries, and two cartoons were made. The Nicaraguan Film Institute [Incine] participated in 13 international festivals, winning two first prizes and four special mentions. In 1985, the mobile movie theater held more than 3,000 showings for more than 500,000 Nicaraguans. Public libraries, through 42 centers, provided services for 144,000 users.

In 1985, we completed construction of tourist centers at Pochomil, (Gagal), La Boquita, Jiloa, and (?El Trapiche) with a capacity for handling 125,000 people. In that year, we were able to organize sports institute activities in all the regions and special zones, and we participated in 60 international events, 14 of which were held in this country. Some 42 nationwide championship competitions were held in 15 sports.

In the same year, the number of people having access to potable water was increased by 45,300 inhabitants.

Sewer services were extended to 10,600 inhabitants. Electrification declined, from the viewpoint of its potential, but service was extended to 8,281 new consumers.

In the area of mail, an important accomplishment was the creation of the postal service...[changes thought] pardon me, with regard to energy, during that period energy consumption was reduced marginally, by 0.9 percent. This refers to sales; in other words, there was a reduction in consumption, not in the amount available in the country. However, new consumers were also added -- 6,000 new consumers, especially in the rural areas. As for mail, a postal service was created for fighters who are on active duty, and an effort is being made to combat the violation of mail privacy, which is a daily topic here.

In the area of telephones, the system was expanded by over 10,000 miles nationwide, although this report does not say that the telephone service has been improved. Telephone service was very bad. We have expanded the service, but the quality of service has been affected. The capacity was expanded in Leon and Chinandega; automatic service was extended to Puerto Sandino, El Bluff, and Corinto. The (Interpool) project was initiated. It will allow us to have direct communications with Cuba, the USSR, and other member countries of (Interpool).

Three housing projects were started with approximately 2,600 units, as well as 30 resettlement projects in Regions 1 and 6. There are 50 progressive city planning projects, with approximately 4,500 plots. Improvement projects were carried out in the Maria Auxiliadora, Altagracia, San Judas, and El Paraisito neighborhoods. Pipelines were laid in (Ticuantepe), Larreynaga, and at the Civic Center. Three microdams were built to channel the water from Managua's southern basin -- in a service that is almost never appreciated, but that we must appreciate in view of the efforts of all the workers involved in providing this service -- and 177,375 cubic meters of solid waste garbage was collected from residential areas and 176,572 cubic meters from the Acahualinca landfill [as heard] by the efforts of these workers, heroic workers who are involved in this effort.

The Nicaraguan Institute of Territorial Studies [INITER] contributed to scientific research into the country's physical resources, by preparing topographic and thematic maps of the nation's crust, updating maritime charts of ports, and improving the national meteorological communications service.

In volcanology -- we have so many problems here with volcanos, earthquakes, and tremors -- monitoring of the Momotombo, Cerro Negro, Telica, and Santiago Volcanos was continued. The seismological activity was affected, or rather, seismological monitoring was affected by the deterioration of the seismographic equipment.

The Office of the Comptroller General, as the leading force in the system of supervising public administration and the people's property area, focused its efforts on the structure of the productive, financial, and commercial sectors. It carried out 109 auditing projects and all special studies in the area of organizations, systems, and economic-financial studies: The results were later sent to the appropriate authorities.

As for the admintration of justice, the penal courts resolved 2,100 of the 4,900 cases remitted to the country's courts by the Sandinist police.

In 1985, the autonomy bill continued to be promoted. It is now under consultation, in the cities and the countryside, by all ethnic groups and in all communities.

The consultation is being carried out in all languages and also in conditions of peace, even with groups that have been up in arms and despite CIA efforts to undermine the peace and the autonomy plan. The CIA has made great efforts, but they have been unsuccessful. The autonomy process is under way on the Atlantic coast. Autonomy has permitted the Atlantic coast Indian peoples and communities to choose their own authorities for posts to which they are entitled by their right to their own identity. It implies the recognition of economic, social, political, and cultural rights within a single, indivisible state that, with autonomy, will achieve higher levels of democracy and participation.

In the areas of autonomy, health, and productive tasks, popular participation has been a determining factor. Above all, we wish to highlight the participation of the coffee pickers. In this year's coffee harvest, or rather in this 1985-1986 period, over 70,000 coffee pickers were mobilized, over 70,000 pickers. Of these, some 20,000 pickers were mobilized from the cities; students and state workers. They were taken to areas where there is still some armed counterrevolutionary activity. In many cases, this mobilization was carried out with coffee pickers armed with their rifles. The coffee harvest has been a success due to this great popular mobilization. This was a people's victory, and the most important aspect is that our Army's deployment, our Army's ability to fight the mercenary forces, and also the readiness of the coffee pickers allowed us to reach the last day of the harvest without letting the counterrevolutionaries directly affect the harvest. They were unable to launch any attack on the coffee pickers. There wasn't a single coffee picker directly murdered by the counterrevolution.

Regarding domestic order, the main achievement of the State Security Office in 1985 was the early detection of 60 attempts that the enemy was unable to carry out. These actions were aimed against leadership cadres of our revolution. In addition, we prevented the formation of the political-military counterrevolutionary internal front through the dismantling and neutralization of many enemy plans and the transfer of information to the Army -- the cooperation between the State Security Office and the Army -- which permitted the annihilation of counterrevolutionary forces and leaders, and the dismantling of enemy bases. These were courier and supply bases that the enemy was trying to develop.

The hard work by the Sandinist police has placed Nicaragua in second place on the list of countries with the lowest level of crime and the largest number of cases solved in Latin America. In 1985, four out of every six crimes committed were solved in Nicaragua. This represents a 67 percent rate of effectiveness.

The dangerous nature and consequences of accidents have been reduced. However, we still have too many accidents. We must fight accidents more energetically.

We increased the number of Voluntary Police Corps members to 7,297.

The penitentiary system continued its activities to re-educate inmates, incorporating them into socially useful jobs in agriculture and cattle production, and at the regions self-supply farms [gran jas de autoabastecimiento]. At present, 22 percent of the penal population has joined the popular basic education.

The techniques to put out and prevent fires were increased and, at the same time, we enforced the laws on the prevention of fires at state and private institutions. This was prompted by the National Fire Prevention System [SINACOI].

Beginning with 1985, the mercenary forces completely lost the initiative. They were pushed by our troops to more remote areas and even outside the country. The relative presence they still have in areas of the fifth, sixth, and first regions is only possible for them at the expense of a high number of killed, wounded, and captured individuals.

Up to 1985, we counted 4,608 dead and approximately 500 contras captured. In view of the failure suffered (?with the fall) of a powerful mercenary army, the Reagan administration has been planning and implementing its interventionist escalation. For this reason, we insist that they already have an infrastructure ready in Honduras, are now introducing military engineers in Costa Rica, and have the post for military aggression in Panama's canal zone, all of this to launch any direct aggression against Nicaragua.

In 1985, the military activity of the United States, as well as its intelligence activity was strengthened in all areas to obtain greater and more detailed control, preparation, and conditioning of the theater of operations against Nicaragua. We have already said that more than 80,000 U.S. soldiers have been trained in Central American territory. More than 80,000 U.S. soldiers have gone to Honduras for training.

As to achievements in our defense, we can note the strategic reinforcement of national defense. We approved the military doctrine in 1985. This doctrine dictates the people's war strategy. We also approved the strengthening of the organic coordination process and the Army's institutional process, which is a move to consolidate militiamen and reservists in the Army. As for the strengthening of the national territorial defense throughout the country, in 1985 we created new special counterinsurgency units, special deployment forces, territorial forces, other Army units, and new border guard troops.

In 1985 in the international sector Nicaragua maintained the lawsuit against the United States at the International Court of Justice. Later, we united a group of friends of the president of the Nonaligned Movement on 30 March. This group of solidarity with Nicaragua was subsequently recognized in the Nonaligned Movement's Luanda Declaration.

At Nicaragua's request, the 5th special meeting of the SELA Council was held on 14 May. This meeting approved Decision No 222 repudiating the U.S. commercial embargo.

Nicaragua was re-elected a member of the Human Rights Commission of the UN Economic and Social Council and president of the Fourth UN Commission on Decolonization. Nicaragua was also chosen for the FAO Executive Council, the UN organization for agriculture and food. Our country was also chosen vice president of GATT, the General Agreement on Tariffs and Trade.

On 7 May, the Nonaligned Movement's Coordination Bureau issued a communique vigorously condemning the U.S. commercial embargo. On 10 May, the UN Security Council issued Resolution No 5262 urging the United States to abstain from adopting measures that may obstruct the Contadora Group efforts and called for a resumption of the Manzanillo negotiations. Support for Nicaragua on the commercial embargo also became evident in the final declaration of the Luanda ministerial meeting, at the WHO conference, the ninth regular SELA meeting, and at the UN General Assembly of 17 December. In addition, we formalized relations with... [changes thought] we have sent ambassadors to the DPRK, Uruguay, Iran, and India.

We have made a very condensed synthesis of the economic work done in 1985. In the next few days, we will send you a document with more detailed information of all that work.

Of course, we first requested those reports from the ministers and then examined them with the Secretariats of Planning and the Presidency to ensure that the reports are not exaggerated, because it is natural and human that good aspects are always put forward; only the positive aspects, not the negative ones are presented.

We hope that the comrade ministers and the teams that worked on these reports made an effort to present them in keeping with reality; we hope that the work carried out in 1985 was truly extraordinary, because there were great limitations -- a cut in financing and other problems, such as the embargo. We were not prepared for the embargo. We knew that the embargo could come anytime, but we were not fully prepared for it. That year we had expected to export our quota of bananas, meat, and sugar to the United States. But, we were allowed to export so little to the United States when we once exported almost our entire quota. However, above all, we could still obtain the needed imports, spare parts, and medicine, that is, all of the elements needed for production and for the people's consumption. We were suddenly hit by the embargo, and we had to hastily readjust our plans.

We have talked about economic plans within the revolution. This contradicts what is happening in Nicaragua. Our economic plans are too weak. That is, we draft our plans based on certain figures and calculations, but shortly we have to change them.

It is difficult at the beginning and in this sense we must point out some critical elements regarding our government's effort. It is somewhat difficult for us to establish the figures; that is a problem. After we established the figures with great difficulty, the U.S. Administration successfully blocked aid in an international organization and a loan with a friendly country was frozen, because we could not manage to pay our debts on time. The friendly country could have offered to restructure our debt, but it did not. We could not receive that financing and credit.

Those were very trying situations. There are also problems of nature; we can do little about them. There was a drought and then too much rain. Our plan was seriously affected in 1985. We now have a plan for 1986 that will certainly be seriously affected as well.

We must make efforts to have a plan -- at least something to guide us -- and have some objectives as well. Then, we will see whether we can fulfill them. We could fulfill them, overfulfill them, or not fulfill them at all due to too much rain, a drought, problems of the foreign [word indistinct] or aggression. We will see later; however, it is logical that we must have a plan.

We have insisted on the need to strengthen a planning system at the highest level within the revolutionary government. In this regard, the state's efforts have made great progress. I said that the report we presented to you contains positive and constructive efforts of ministers, state workers, and organized people supporting that effort. However, it does not contain self-critical elements. We think that the analysis of this plan at the end of the year -- as we are now analyzing efforts made in 1985 at the beginning of 1986 -- should be a critical analysis. A critical analysis implies that we must present the good and positive, as well as the bad and negative. We are not doing too well. We are still weak in this regard.

A stronger self-critical spirit is missing in the government effort. Despite all the responsibilities we have had -- we have been preparing the 1986 plan and that consumed a lot of our time -- the truth is that we were obliged to urge the ministers to be self-critical in their reports. Problems encountered amid the aggression cannot always be blamed on a lack of foreign currency and the war. We also have a responsibility.

It is true that even if we were operating at top efficiency, had committed no errors, and had no failures, our efforts still would not satisfy the demands of the population because the war and the aggression are looming over us. However, given that errors and deficiencies exist, costs imposed by aggression increase.

We meet with the ministers and tell them: Comrades, we must make investments in keeping with the country's material and financial abilities and our external financing abilities to support those investments. Perhaps investments presented then stand at 20 billion cordobas and the ministers go to work on it and return with a request for 25 or 30 billion cordobas. What does this mean? It means that there is not an awareness among government officials regarding the true situation being experienced by the country.

When we learn about less important problems that should have been resolved months ago, through the press, radio, or during a "Face the People" program, we realize that there is inefficiency on the part of the official, the minister.

The minister must be alert to those errors. He must be alert, because one mistake or fault could result in a political problem, a social problem. However, apart from any political or social problem it is our duty -- for reasons of principle -- to solve the problems we can solve. We find that we are still lacking direct contact with Nicaraguans' daily problems. We find that many errors are made in this area -- some due to ignorance, others calculated, ill-intentioned, and without the minister's knowledge. Often he does not find out until the police arrive or it is published in the newspaper. This cannot be; we are responsible for this, and we are responsible for not being there to supervise the ministers, for not being more demanding with them and with the people heading state institutions. It is easy to say later that director so-and-so or secretary so-and-so was responsible for this or that sector. To do this is to evade responsibilities. After all is said and done, it is our work, and we are responsible for it. We are responsible for the errors and mistakes that are committed.

Just as we are the ones who get credit when substantial progress is made in any sector or area, we must give the ministers, the workers, and all of the people involved credit. However, when errors are made, responsibility for the errors must also be shared by the persons heading the institution. We are having problems because there is a lack of understanding regarding the country's material limitations, and resources are being demanded as if the war did not exist, as if the aggression did not exist, and as if we had no material limitations in the country. This cannot be possible. As I said, we have had to cut social, educational, and health investments, and this is painful. It is painful to cut social investments, but we have been forced to do so.

Of course, we would like to fulfill all of the ministers demands to fill the country with schools, health centers, highways, and homes and to take energy and water to all Nicaraguans as rapidly as possible. However, this is not possible, and we must thoroughly understand this reality.

During 1986, as I have told you, we are going to face equal or greater tensions because the U.S. policies do not seem to be changing.

Therefore our efforts during 1986 must be aimed at guaranteeing defense necessities to ensure a minimal standard of living for the people, promote exports, ensure the basic infrastructure for production, and maintain the social sector's present capacity. All of these actions are necessary to contain and reverse the deterioration that aggression is causing.

We can no longer delude ourselves about 1986. Tensions in the world are very great. The Soviet Union has presented initiatives in favor of peace, and it made concrete proposals in favor of peace. These proposals have even made the Reagan administration meditate, even if only hypocritically. The Reagan administration seems to be meditating over the Soviet Union's peace proposals. With its peace initiatives, the Soviet Union has placed the Reagan adminstration between the devil and the deep blue sea. While it claims to be meditating, what is the Reagan administration doing? It is requesting a greater military budget at the expense of sacrificing and affecting the American people's social budget. The administration sacrifices the American people in order to guarantee the necessary resources for its military projects, for its militaristic and warmongering projects. The concrete answer that the United States has given the Soviet peace initiative thus far opposes peace and in fact rejects the peace proposals.

We have defended the policy of nonalignment in the international sphere, and we will continue to defend this policy. We have defended the Latin Americanist policy and the Central Americanist policy, and this has brought Nicaragua international recognition; it has given Nicaragua an international personality. Nicaragua has its own personality; it has earned it with its nonalignment policies. We have defended a peace policy, but in response we have faced a policy of war from the United States. Last year this forced us to establish a state of emergency, which was necessary in order to fight this U.S. warmongering policy.

We are fighting against a powerful army that remains intent on destroying the Nicaraguan revolution. It is even acting bluntly now. First the U.S. Government used the excuse that Nicaragua had to be pressured to prevent it from sending arms to the Salvadoran guerrillas. Later it claimed that that it had to support the mercenary forces to promote democracy in Nicaragua. Now they claim the mercenary forces must be supported to destroy the Sandinist regime. The U.S. policy has been unmasked.

Reagan insists on requesting more funds for the mercenary forces. Last year the Congress approved funds for alleged humanitarian aid. We are well aware that this was not humanitarian aid. Now he is requesting funds again, this time for humanitarian and military assistance. Reagan hade this request public after he and Mr Shultz met with eight Latin American foreign ministers in Washington on 10 February. They presented a Latin American position. They asked the American people to stop the aggression against Nicaragua, to stop financing the mercenary forces, and to establish a dialogue with Nicaragua to normalize relations and reach peace.

Mr Shultz and Mr Reagan's response has been to insist on requesting financing for the mercenary forces. Reagan is asking for more funds so that the mercenaries will continue to murder women and children in Nicaragua, continue to murder mothers like those they recently murdered near Somotillo, continue to murder international volunteers like the Swiss technician who was murdered by Reagan's mercenaries in Somotillo. In other words, he is asking for more funds to continue attacking the Nicaraguan people and continue advancing in his policy of militarily surrounding, of militarily and economically strangling the Nicaraguan revolution, until he finds the opportune moment to launch his invasion against our country.

Reagan ratified Mr Shultz' response to the representatives of the Latin American governments when he arrived in Grenada, a country occupied by his troops, where he prepared his own welcome. This brings to mind a poem by an anonymous author that was recited during the times of the struggle against Somoza. It reads: Somoza is the first to ride Somoza's horse in front of Somoza Stadium, which is on Somoza Square. Reagan afforded himself a hero's welcome in Grenada. Reagan made his own welcome. He announced there his determination to continue his terrorist policy against Nicaragua.

Reagan's arriving in Grenada also reminds us -- although it is something we read in our textbooks -- of Hitler's hero's welcome in Venna. His troops had occupied Austria. He made a triumphal entry in Vienna. However, Reagan must not forget that in Vienna and Austria Hitler is remembered with bitterness. In Grenada, which will be free some day because there will be a revolution there, the people will remember this visit with bitterness, because he entered a Grenada occupied by his invasion troops. Reagan issued a threat against Nicaragua in Grenada. In so doing, he also threatened all of Latin America. This clearly shows that the danger of intervention is there, it is present, it exists. This is not an imagined threat. For years we have been saying we must prepare to face, resist, and defeat an eventual invasion by U.S. troops in Nicaragua. Mr Reagan's discourse is becoming increasingly dangerous. He is really going overboard.

He said he has obtained a secret document from Nicaragua in which we outline a policy to persuade the U.S. Congress not to support Reagan on the financing request. He is attempting to blackmail the U.S. Congress with this document. He is using every scheme and trick imaginable in his attempt to achieve that goal, to get funds approved.

We would like to ask him: What do you want funds for? Reagan knows we are defeating his mercenary forces. Why the funds? Even if that amount or more is approved, we will continue to defeat the mercenary forces here. However, Reagan wants to keep those mercenary forces alive because that allows him to continue advancing in his process to militarize the Central American area; to continue establishing military bases in Honduras; to think about establishing military bases in Costa Rica; to attempt to entrench himself in Panama to direct from there his operations against Nicaragua. It allows him to create conditions in the area to launch the invasion against Nicaragua. Why? Because there is the armed opposition. The armed opposition is there. The armed opposition is there. [repeats himself]

That is what Reagan wants. Some individuals born here in Nicaragua also want that. They live here in Nicaragua; they live only to wait for the trimphant entrance of the U.S. troops. The discourse of the newspaper LA PRENSA, which is a CIA newspaper, a newspaper of intervention, falls within that framework. The discourse of some gentlemen of the productive sectors organized in COSEP [Higher Council of Private Enterprise] falls within that framework. The discourse of some leaders of political groups that do not want to accept the revolutionary change that has taken place in Nicaragua and who are waiting for the Yankee intervention also falls within that framework. They are waiting and dreaming about applauding Reagan's entering Managua on top of mountain of bodies, just as Reagan has now arrived in Grenada. That is also Reagan's dream.

That is why we cannot neglect the preparations for the military defense of our country. We cannot neglect the mobilization and the integration of the people into the military defense of the revolution. We cannot have any illusions that the problem will be resolved through the so-called dialogue with the counterrevolution, as Reagan proposes and as some of Reagan's echoes here in the country propose.

Of course, Reagan wants us to hold a dialogue with the counterrevolution. Why? So that peace will come to Nicaragua? He wants us to hold a dialogue with the counter-revolutionaries, with the Caleros, with the Robelos, with the Bermudezes, with all of these criminals. Why? So he can legitimize his mercenaries and assassins; so that he can then have greater political support for those criminal assassins and continue his policy of aggression and terrorism against Nicaragua. That is the reality. They want to promote the dialogue in order to destroy the revolution. Those who repeat here that discourse, that slogan, are either receiving CIA dollars or are stupid. But the most likely reason is that they are receiving CIA dollars.

Nevertheless, Reagan will continue to dream about receiving a hero's welcome in Nicaragua. He can go meet in Miami with the Somozists or neo-Somozists who fled there; they will receive him as a hero. The people here will never receive Reagan and his troops like heroes.

We will always receive them ready for combat, we will receive them with our rifles held high, with our rifles pointing at the invaders; we will receive them with the rifles of the Nicaraguans united with the rifles of the Central American patriots, as announced by the Salvadoran revolutionaries, who have decided to join their rifles and blood with the rifles and blood of all the Nicaraguans if the intervention ever takes place. [applause] We will receive Reagan and his soldiers with the rifles and fury of the Central American and Latin American people, and we are going to defeat them; they will not have an easy time in Nicaragua. [applause]

Reagan is mistaken when he announces in Grenada that things will be easy in Nicaragua. He would do better to change his policy; he would do better to accept the reality of the Nicaraguan revolution; he would do better to listen to Latin America; he would do better to accept the dialogue and peace instead of sending thousands of U.S. youths to their deaths in Nicaragua, given his ambition of coming to Nicaragua and receiving a hero's welcome.

We are still willing to participate in an unconditional dialogue with the United States to discuss our bilateral relations, without conditioning our internal regime, because we would not think of conditioning the United States' internal regime during a discussion with the United States, even though we do not agree with many of the things in the democracy... [corrects himself] in the so-called U.S. democracy. We are willing to discuss security matters; we are willing to normalize relations with the United States.

We have supported, we have supported [repeats himself] the Contadora initiatives; we have supported the Caraballeda proposal. We want to achieve peace; we are willing to meet with the Central American leaders; we are also willing to encourage a bilateral dialogue in Central America. The truth is that not even the Central American leaders want a war, and the Central American leaders do not want an intervention in Nicaragua. They know that this is a bomb which would explode throughout the Central American region.

The Congress has said correctly that Reagan should really consult with the Central American leaders on what they prefer: whether the millions in aid which he wants to give to the counterrevolution should be given to Honduras, El Salvador, and Costa Rica -- which are good friends of the United States -- or whether the millions should be given to the counterrevolution. We are sure that the leaders in Honduras, El Salvador, and Costa Rica would be willing to receive that aid. We have said already that it would be more useful to benefit the people in Costa Rica, Honduras, and El Salvador -- who need the aid so much -- so long as it is invested in social projects.

We are sure that the Central American people also want a peaceful solution to the conflict which prevails in El Salvador, because it is not a conflict which emerged after the Nicaraguan revolution triumphed. It is a conflict which emerged due to the backwardness, exploitation, and poverty which the Salvadoran people have endured. The Salvadoran people have merely resorted to the legitimate use of a popular insurrection to seek justice, democracy, and liberty. A political solution is also necessary there, and the Salvadoran revolutionaries have already issued a statement in this regard.

Nicaragua needs unity now more than ever, but it must be a unity to defend national interests, not to defend the interests of privileged sectors that were forced out by the revolution. The defense of national interests means defending the peasants' and workers' interests, with the participation of the production, agrarian, and industrial sectors; it also means guaranteeing the people's achievements. This year, 1986, we will strengthen this national unity even more.

This national unity is guaranteed the very moment the workers and peasants combine their efforts, sweat, and sacrifices for the defense of the revolution. This unity is guaranteed to the degree that youths, women, and patriotic producers join in the the defense of the revolution in the productive and military sector. This great unity, this great unity has grown each year with the strength of the intellectuals, journalists, artists, technicians, professionals, and believers. We urge the sectors which refuse to accept reality to join this great unity.

Our foreign minister, Father Miguel D'Escoto, recently requested a permit and is currently carrying out another drive for peace, touring.... [changes thought] He intends to cover 320 km. He felt Jalapa a few days ago and should be in Esteli by now. This is a Christian drive; this is a drive for peace; this is a drive for national unity. We, who have insisted and continue to insist on respect for our people's religious beliefs, recognize in Father D'Escoto's action a genuine demonstration of Christianity and concern for peace, life, and Nicaraguans' rights.

Today, 21 February, [6-second break in transmission] the death of our General Sandino by presenting a report here on the government's economic activities during 1985 and its foreign policy positions. We want to greet the effort exerted by the National Constituent Assembly because, despite great contradictions and complex situations, it has consolidated itself and helped to achieve the institutionalization of the revolutionary process in Nicaragua. Thank you. [applause]

REAGAN DEFENDS POLICY DURING GRENADA VISIT

PA212218 Managua Sistema Sandinista Television Service in Spanish 0200 GMT 21 Feb 86

[Text] Today the island of Grenada was turned into a platform against Nicaragua by U.S. President Ronald Reagan, on the U.S. President's first visit to that country since the invasion in October 1983. Reagan arrived on the Caribbean island this afternoon accompanied by some of his leading foreign policy advisers. The capital, St. Georges, was flooded with U.S. propaganda. Meanwhile, the Maurice Bishop Patriotic Movement urged the people not to welcome the man who had invaded their sovereign country.

Reagan was in Grenada for 4 and 1/2 hours. He met there with the Caribbean heads of state who 2 years ago approved of the U.S. invasion.

Speaking at a public ceremony after placing a wreath on the tomb of the 19 American soldiers killed during the invasion, Reagan attacked Nicaragua and defended his government's aid to the counterrevolutionaries.

Three days ago Reagan officially initiated his campaign to have Congress approve $100 million for the counterrevolutionaries. He took advantage of his presence in Grenada as the ideal scenario to carry out propaganda in favor of his policies against Nicaragua.

Despite Reagan's efforts, his policies were criticized by Democrat Tip O'Neill, speaker of the House of Representatives, who said that the aid to the counterrevolutionaries could lead to an invasion of Nicaragua by U.S. troops. Last year O'Neill supported giving [words indistinct] dollars in allegedly humanitarian aid to the counterrevolutionaries. Nevertheless, the democratic leader now says that the contras will be humiliated and destroyed. He added that to give the counterrevolutionaries $100 million would be a disaster and a shame for the United States.

Also in Washington, Costa Rican President-elect Oscar Arias Sanchez criticized the U.S. policy and said that it would be better for the United States to give this $100 million in economic aid to the other Central American countries.

ARCE LEADS FSLN DELEGATION TO CPSU CONGRESS

PA240112 Panama City ACAN in Spanish 2252 GMT 23 Feb 86

[Text] Managua, 23 Feb (ACAN-EFE) -- Commander Bayardo Arce travelled to Moscow today at the head of an FSLN delegation that will attend the 27th CPSU Congress. Arce is a member of the National Directorate and the deputy coordinator of the FSLN's Executive Directorate and the deputy coordinator of the FSLN's Executive Committee.

The delegation also includes Julio Lopez Campos and Javier Carrion McDonough, members of the Sandinist National Assembly, the FSLN's consulting organization; Jose Angel Buitrago, deputy minister for external cooperation; and Ernesto Castillo Martinez, Nicaraguan ambassador to the Soviet Union.

The secretariat of the FSLN's National Directorate reported today that the Sandinist mission will stay in the Soviet capital from 24 February until 6 March, or the duration of the CPSU's congress. The mission will make a technical stopover in Havana.

AREA PRESIDENTS PRAISE PEACE INITIATIVES

PA212205 Managua Domestic Service in Spanish 0300 GMT 21 Feb 86

[Text] Efforts to normalize relations between Costa Rica and Nicaragua have been praised by several Latin American governments. This is apparent from a number of letters received by the Nicaraguan Government from those who uphold and support the Nicaraguan initiative. Prominent among those letters are those signed by the foreign ministers of Venezuela, Colombia, and Panama, countries that are part of the Contadora Group.

The peace initiatives between the Governments of Costa Rica and Nicaragua will bear fruit this coming Monday, when the deputy foreign ministers of both countries will meet in Managua in the presence of their colleagues of the Contadora Group countries.

COSTA RICA'S ARIAS CRITICIZES U.S. CONTRA AID

PA210301 Managua International Service in Spanish 0000 GMT 21 Feb 86

[Text] Costa Rican President-elect Oscar Arias Sanchez has harshly criticized Reagan administration support to Somozist mercenaries. Instead of financing counterrevolutionaries, the Reagan administration should help friendly countries in Central America, he said.

Arias said that if he were President Reagan, he would give that money to Guatemala, El Salvador, Honduras, and Costa Rica in the form of economic aid and not in military support for the mercenaries.

The Costa Rican president-elect's statement was made on the (John Lauren) "One on One" program over U.S. television.

COOPERATION AGREEMENT SIGNED WITH FRANCE

PA221923 Managua Sistema Sandinista Television Service in Spanish 0200 GMT 21 Feb 86

[Text] France and Nicaragua have concluded the fourth meeting of the mixed commission and signed a cooperation agreement which includes a French donation of 10,000 tons of wheat.

The cooperation agreement is for approximately $2 million. French Ambassador to Nicaragua Jane Debenest signed for France and Nicaraguan Deputy Foreign Cooperation Minister Jose Angel Buitrago signed the closing of the meeting of the Mixed French-Nicaraguan Commission. [sentence as heard] The meeting was held to assess cooperation actions on economic, scientific, technical, and cultural matters. Also, during the meeting, the programs to be developed in 1986 were analyzed. The main actions are to be carried out by the Nicaraguan Development Institute, the Ministry of Health, and the Ministry of Agricultural-Livestock Development and Agrarian Reform.

CATHOLIC CHURCH MEETING CONTINUES IN HAVANA

Officials Attend Reception

FL212236 Bridgetown CANA in English 2217 GMT 21 Feb 86

[Text] Havana, Feb 21, CANA-REUTER -- Communist Cuba took another step towards improving relations with the Roman Catholic Church last night when two government leaders attended a reception to mark the holding of a special church conference here. The vice president with responsibility for foreign affairs, Carlos Rafael Rodriguez, and Foreign Minister Isidoro Malmierca both turned up at the reception, given by the papal nuncio to mark the holding of a week-long conference aimed at mapping a future course of action for the church in Cuba.

Over 180 bishops, priests, nuns, and laymen are meeting at a Havana convent to discuss proposals that the church should seek to strengthen its activity in Cuba without questioning the political and social order of its communist society. The presence of Rodriguez and Malmierca at the reception was reported today by the official daily GRANMA after a virtual blackout on the church conference by Cuba's state-controlled media. Vatican diplomats said the two men had previously attended other receptions given by the papal nuncio, but their presence at this one was particularly important. In these circumstances their presence indicated something special... Everybody was very happy, one church official said.

Religious activity in Cuba has been hedged with restrictions since the 1959 revolution due to an official policy of atheism and government fears that the churches might foster clandestine opposition to communist rule. But church-state relations began to thaw two years ago after statements by Cuban leader Fidel Castro that Christianity and Marxism could be allies in the struggle for social change in Latin America. The government has facilitated the holding of the present Cuban National Ecclesiastical Encounter (ENEC), which represents the biggest rethinking of church attitudes to the government since the revolution. The Foreign Ministry provided visas for several foreign bishops attending the conference and helped organize foreign press coverage of the event, which ends on Sunday.

But although the state-run news agency PRENSA LATINA has carried daily reports on the meeting for overseas subscribers, it was virtually ignored until today by the local press, radio, and television.

Castro Receives Papal Envoy

PA231926 Havana International Service in Spanish 1800 GMT 23 Feb 86

[Text] Cuban President Fidel Castro has received in Havana Cardenal Eduardo Pironio, Pope John Paul II's special envoy to the Cuban national ecclesiastic meeting that concluded today in Havana. Ecclesiastic sources have said that the dialogue between the Cuban president and Cardenal Pironio was frank and cordial. In closing the event, the pope's envoy thanked the Cuban authorities for the facilities that were offered and for the generosity and warmth with which he was received.

The same ecclesiastic sources said that Monsignor Dario Castrillon, secretary general of the Latin American Episcopal Conference, was received a few days ago by Fidel Castro.

LEADERS EXPRESS SATISFACTION WITH REAGAN SUMMIT

FL212217 Bridgetown CANA in English 1802 GMT 21 Feb 86

[By George Worme]

[Text] St Georges, Grenada, Feb 21, CANA -- Caribbean leaders have expressed satisfaction with yesterday's meeting with President Reagan.

I thought it went well, and we were able to make our points very much to him, and I think we got results, Dominica's Prime Minister Eugenia Charles told CANA after the one-hour summit.

Reagan later announced several initiatives to help Caribbean countries including an expanded U.S.-funded scholarship scheme, eased access to the United States for regional textiles and a joint plan to modernize judicial systems.

I am particularly pleased with the scholarship programme which is one of the things I requested in my presentation on behalf of the territories speaking on aid, said St Vincent and the Grenadines Prime Minister James Mitchell.

Trinidad and Tobago's George Chambers described the summit as eminently satisfactory. I assume from the responses of the president, added Chambers, that we will see some activity in light of his own policies relating to investment expansion in the Caribbean.

Said Prime Minister Edward Seaga of Jamaica: In so far as benefits to the region (are concerned) there is no question about the fact that President Reagan's visit was beneficial to us. Seaga said that if the new programmes were to materialise it could result in substantial new employment opportunities for the region especially in the garment industry. Seaga also said that he was not surprised with Reagan's announcement that Washington might be cutting down on its level of foreign aid. This is a reality. The fact of the matter is that its a reality that the U.S. Government has its own problems, and its own budget deficit but what we don't get in aid you make up for trade, and trade is what creates jobs and what earns for us the foreign exchange, he said.

Speaking of the programme to develop judicial systems, Mitchell said: If this means helping us to build new registries and libraries for the law offices, I think this would be a splendid idea.

Chambers said that he used the opportunity of his meeting with Reagan to raise issues of particular concern to Trinidad and Tobago, including graduation from the soft terms window of the World Bank, obstacles to local steel exports to the United States, the possible implications for this country of a possible oil import levy now being voted for in the U.S. and the question of investment under the Caribbean Basin Initiative (CBI). Chambers said that Reagan had promised to look personally into the question of duties on oil imports.

Trade was the dominant issue in the discussions but security and drug trafficking were also featured.

Charles said that the regional leaders told Reagan that the security of the area required a strong economic base. The American President, she said, had expressed an interest in providing training for the Regional Security System (RSS) established by seven eastern Caribbean states.

(This is what) we have been asking for in fact and nothing more. I have always insisted that we can't get financial support for it (the RSS). We have got to run it for ourselves. Nobody can run your army for you, Charles said. On drugs, she said the U.S. President described drug trafficking as a threat to the Caribbean and urged the leaders to try to convert our people away from drugs as well as avoid the drug people coming in. Seaga said though marijuana was the most used illegal drug, prime ministers were deeply concerned about the possibility of having problems in policing their waters for smuggling operations with cocaine. What we hope to do is to try to deal with it (drug trafficking) while it is still at a level that it can be controlled, he said.

On the CBI, Barbados Prime Minister Bernard St John said Reagan had agreed that the CBI had not worked as well as initially advanced and on the need for a bipartisan approach to the programme. He said there was a difference in attitude to the CBI by the White House and Congress. As soon as a project starts to make progress, there is a bill introduced (in Congress) to deprive that product of CBI status, St John said. We also raise the question of access for sugar which is important to us all, and we pointed out that the reduction in sugar quotas which took place in 1983, was of such magnitude that the dollar value of exports that CBI countries derived from new access was seriously diminished by the reduction in quotas, St John told reporters in Bridgetown.

Charles said that Reagan demonstrated his ability to listen to the problems of the region as opposed to the playboy image he has gained in some circles. Added Kennedy Simmonds of St Kitts and Nevis: President Reagan is a very good listener, and he took careful notes of what we said in addition to those his aides took, and he certainly promised to evaluate very carefully the points that we made with respect to the Caribbean.

Other prime ministers at yesterday's summit were Vere Bird of Antigua and Barbuda, Herbert Blaize of Grenada, and John Compton of St Lucia.

Further Comments

FL221427 Bridgetown CANA in English 1404 GMT 22 Feb 86

[Text] Basseterre, St Kitts, Feb 22, CANA -- St Kitts-Nevis Prime Minister Dr Kennedy Simmonds says last Thursday's historic visit to Grenada by U.S. President Ronald Reagan was a tremendous success if only because it offered nine Carribean Community (Caricom) leaders the unique opportunity of speaking directly to the American leader. Dr Simmonds, who was among Caricom prime ministers attending the mimi summit, also attributed the success of the visit to what he called the tremendous outflowing of gratitude expressed by the people of Grenada to the U.S. President. It was Reagan who responded to the eastern Caribbean call for military assistance in 1983 to restore order in Grenada after a communist junta seized power in a bloody coup. Dr Simmonds said he had urged the president to maintain U.S. aid levels to the English-speaking Caribbean in the face of whatever budget cuts Washington was contemplating. He said he also made the point that for members of the Organization of Eastern Caribbean States (OECS) to better derive benefits afforded under Washington's Caribbean Basin Initiative (CBI), special attention must be paid to the development of electricity, roads, water and educational facilities.

Willingness To Help Haiti

FL220132 Bridgetown CANA in English 2302 GMT 21 Feb 86

[Text] St Georges, Grenada, Feb 21, CANA -- Some West Indian nations say they would like to help Haiti return to democracy.

This is a window of opportunity that we shouldn't pass up, and we should try to do whatever we can to help the country return to democracy, Prime Minister Edward Seaga of Jamaica told CANA.

We must keep close to them because they are part and parcel of our family. We think this is the opportunity to make sure that they get a democratic government, and we mustn't miss the opportunity, Dominica's Eugenia Charles said.

Both Caribbean leaders spoke yesterday in St Georges where they attended a meeting with President Reagan.

The Jamaican leader who claimed a pivotal role in influencing President-for-Life Jean-Claude Duvalier to flee Haiti in the face of a mass uprising earlier this month said he was concerned about events in Haiti, where a civilian-military junta was governing the island. I am concerned about the faccum that is there. It is true that there is a ruling junta but one doesn't know to what extent the people themselves feel that this is satisfactory, so we are simply watching the situation for the time being, and studying it. Duvalier fled his homeland to France on February 7 aboard a U.S. Air Force plane and has been cooped up in a luxury lakeside hotel at Talloires in the Alps while Paris has hunted fruitlessly for another country to accept him. The Jamaican Prime Minister said he did not see the need for the region to move fast in upgrading Haiti from observer status withing the English-speaking Caricom grouping to a full fledged member in an effort to help the island among the democratic path. I think we need to watch...and there would be enough time before the Caricom heads of government in July by which time we would see just what is happening in Haiti, he added.

The St Kitts Prime Minister Dr Kennedy Simmonds said that during yesterday's summit the Caribbean leaders expressed satisfaction that the stage was set for Haiti to move into the democratic orbit and for assistance to be given to help with the development of democratic institutions on the island.

On full membership within Caricom, Simmonds said he would not make any commitments on this issue at the moment but would view seriously any application by Haiti for membership.

St Vincent and the Grenadines Prime Minister James Mitchell voiced support for the region to help Haiti but felt is would take sometime for the Caribbean's poorest nation to the foundations of democracy.

BERMUDA

SENATOR INTRODUCES INDEPENDENCE BILL

FL221338 Bridgetown CANA in English 1332 GMT 22 Feb 86

[Text] Hamilton, Bermuda, Feb 22, CANA -- Bermuda's Senate President has taken the unprecedented step of introducing legislation to force a vote on independence in this affluent British colony. Senator Hugh Richardson caught politicians offguard when he unveiled a private members bill in the Upper House on Wednesday to force a referendum on the independence issue more than five years after it was last discussed in parliament.

A government white paper was debated in the House of assembly in the autumn of 1979 when government announced the majority of Bermuda's 56,000 population were opposed to severing ties with Britain.

Premier John Swan ruled out independence as an issue in last year's general election but promised a referendum to test public opinion. Tiny Bermuda -- it's a little over 20 square miles -- is Britain's oldest remaining colony. Senator Richardson's bill, which is expected to be debated in the Senate before Easter, would set a deadline of April 7 next year for holding the referendum and all electors would be entitled to vote. Voters would be asked: Are you in favour of Bermuda becoming an independent nation within the commonwealth? A five-man referendum oommission would be appointed by the governor after consulting leaders of the island's three political parties to administer the referendum.

Senator Richardson said today: It is time we did something meaningful about independence and I believe the people of Bermuda should be given an opportunity to express their desires. He said the issue had been lying dormant for too many years. I hope we can get this bill through the Senate and then the House of Assembly. I see this as a progressive step towards independence and I think it has a chance of going through. Even so he did not believe independence would come before the next decade, and added. I don't see Bermuda becoming independent inside four years even if we are successful with the referendum. He said Bermuda had played with the idea of independence for years and now he was hoping something positive would be done. He stressed the bill was his own idea and was not prompted by a political party or group. Bermuda's population is 60 per cent black and 40 per cent white.

FRENCH GUIANA

16TH ARIANE ROCKET LAUNCHED 22 FEBRUARY

PA220209 Paris AFP in Spanish 0153 GMT 22 Feb 86

[Text] Kourou, French Guiana, 22 Feb (AFP) -- The 16th European Ariane rocket was launched today at 0144 GMT from the Kourou Space Center in French Guiana. It carried aboard the French SPOT observation satellite, and the Swedish scientific satellite Viking.

Satellites Put in Orbit

PA220237 Paris AFP in Spanish 0217 GMT 22 Feb 86

[Text] Kourou, French Guiana, 22 Feb (AFP) -- Ariane, the 16th European rocket, launched as scheduled observation satellite SPOT and the Swedish scientific satellite Viking -- 15 minutes after launching, in other words, at 0159 GMT. Three minutes later, approximately 18 minutes after launching, the two satellites separated and each one installed itself in its own established orbit, thus confirming Ariane's success.

HAITI

BANK DIRECTOR SAYS DUVALIER TOOK STATE FUNDS

PA222022 Paris AFP in Spanish 1711 GMT 22 Feb 86

[Text] Port-au-Prince, 22 Feb (AFP) -- The director of the Bank of the Republic of Haiti, Jean Claude Sanon, revealed today in Port-au-Prince that former President-for-life Jean-Claude Duvalier took state funds to augment his personal fortune.

At a press conference held in the capital of Haiti, Sanon said that in the bank there were eight accounts under the name National Defense. Duvalier had absolute power over these accounts, which swelled to $1 million on a monthly basis with funds provided by the Finance Ministry. Bank management had no control over these accounts. Part of the funds were used to cover defense expenditures, but another part, the amount of which is unknown, was used for other purposes, Sanon said.

JUNTA PROHIBITS PUBLIC MEETINGS, DEMONSTRATIONS

PA230239 Madrid EFE in Spanish 0155 GMT 23 Feb 86

[Excerpts] Port-au-Prince (Haiti), 22 Feb (EFE) -- The junta, which has been governing Haiti since the toppling and flight of "Baby Doc," today issued an order prohibiting the country's citizens from meeting and demonstrating. The junta is currently consolidating its power by placing Army officers as police prefects in the nine districts in which the country is geographically divided. The new rulers justified the measure with the traditional phrase "agents of the international communist movement are creating disorder."

A communique states: "The National Government Council warns the public that police forces received formal instructions to act with maximum severity to repress attacks against property, goods, or human life." "Consequently, all assemblies in public places are prohibited."

The state of siege continues between 2300 to 0500. Meanwhile, the Haitian people continue to attack the hated Duvalier militia, the "Tontons Macoutes," one of whom was burned alive in the Carrefour District last Friday. He was charged with trying to poison the population's water after "Baby Doc" left.

Communist 'Agitators' Blamed

PA211615 Paris AFP in Spanish 1513 GMT 21 Feb 86

[Text] Port-au-Prince, 21 Feb (AFP) -- The National Government Council of Haiti today charged for the first time that there are "agitators being paid by international communism" in the country. According to a communique issued by the council, the agitators are trying to "provoke demonstrations, create disorders, and promote a climate of insecurity unsuitable for normal social and economic life in the country." The communique recalls the dispositions that were adopted following the departure of Jean-Claude Duvalier on 8 February. According to these dispositions, "all public meetings are formally prohibited and any person caught commiting a criminal activity will be considered an outlaw."

The daily LE MATIN (liberal independent) reported today that General Henry Namphy, who heads the government council, this past Wednesday held an "important" meeting with the U.S. ambassador to Haiti, Clayton McManaway, and with people connected to U.S. aid for Haiti to discuss the government's economic program to promote a short-term struggle against unemployment and poverty.

Meanwhile, Hubert de Roceray, one of the six leaders of the domestic opposition to Duvalier, today asked the nation "to neutralize the work of false prophets who want to take advantage of the chaos caused by the overthrow of Duvalier, which was the result of the action and the spirit of sacrifice of the young people of Haiti."

De Roceray also asked the government council to "clearly" state its objectives as a transition government and to produce a program indicating work plans and deadlines. He also called for the creation of a commission that would investigate the work of state institutions and the processes against "notorious" criminals.

The Haitian news media has asked the people to adopt a moderate attitude about their objections against administrative personnel accused of being Duvalierists. The media today reported the return of two political exiles, Dr Louis Roy, who had been residing in Canada; and Priest Antoine Adrien, former director of the Saint Martial School Seminary who was expelled in the 1960's by Francois Duvalier, the late father of Jean-Claude.

Finally, Gabriel Herard, a Haitian politician and correspondent of the center-left and pro-Third World weekly LE PETIT SAMEDI SOIR, has urged Justice Minister Gerard Gourgue, a member of the government council, to initiate a legal process against two former military men who were responsible for the government's political police.

The two are former Colonel Albert Pierre and former Lieutenant Colonel Emmanuel Orcel. Herard accused both of them of having "tortured" and mistreated him when he was in prison.

Herard was freed, along with 25 other political prisoners, the day after the fall of Duvalier, as a result of an intervention in this matter by Gourgue.

POLICE CHIEF GIVEN ASYLUM AT BRAZILIAN EMBASSY

PA230242 Paris AFP in Spanish 0214 GMT 23 Feb 86

[Text] Port-au-Prince, 22 Feb (AFP) -- Former Colonel Albert Pierre, former chief of the Haitian political police and former commander of the police in this capital, has sought shelter at the Brazilian Embassy in Port-au-Prince and was granted political asylum, it was learned today from reliable sources in the Haitian capital.

Albert Pierre, who was accompanied by his wife, Marie Ange, was granted asylum at the Brazilian Embassy with Gener Cotin, another civilian official of the ousted regime's former political police.

Another member of the Duvalier regime, former Deputy Edner Pageotte Andre, an influential member of the Tontons Macoutes militia, has also sought shelter at the Brazilian Embassy, which is heavily guarded by the Haitian Army.

According to the same sources, the National Government Council has granted safe conduct to these four individuals who may travel to Panama on Sunday and then to Brazil.

The Brazilian ambassador could not be reached by telephone tonight.

It was recalled in Port-au-Prince that Gabriel Herard, a Haitian journalist who was recently released, announced in a letter to Justice Minister Gerard Gourge yesterday his intention to present charges against Albert Pierre for "torture and mistreatment."